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Technical Study 3  
**COMMUNITY-BASED DEVELOPMENT:  
A DEVELOPMENT SYSTEM FOR THE  
1980s**

P.D. Brodhead, Michael Decter  
and Ken Svenson  
July 1981

This is one in a series of technical studies prepared for the Task Force on Labour Market Development. The opinions expressed are those of the author and do not necessarily reflect those of the Task Force. They do not reflect the views of the Government of Canada.







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## ABSTRACT

### COMMUNITY-BASED DEVELOPMENT: A DEVELOPMENT SYSTEM FOR THE 1980s

**P.D. Brodhead, Michael Decter and Ken Svenson**

This report analyses the past decade of direct job creation programs and proposes a significant new direction. Central conclusions focus on the changing nature of the Canadian labour market in the 1980s, the experience gained from past and current programs and the potential for an effective additional approach. The report advocates a development system approach with a community base. This new approach is a logical extension of existing programming in both the direct job creation and economic development areas. It is proposed as an additional effort by the federal government, not as a replacement for existing efforts.

Unemployment is the focus; disadvantaged, structurally unemployed Canadians are the target group of the community-based development system approach. The community at large would be involved in local development corporations. Resources would be made available to encourage the local capacity-building essential to tackle the challenges posed by underdevelopment. Organizational infrastructure would be put in place to allow the disadvantaged sector to become involved in self-help efforts to improve the socioeconomic conditions of their community or group. This mobilization of local skills and resources will stimulate individual entrepreneurial development. The strong evidence of the job generation effectiveness of small business will serve to reinforce the thrust of this approach to underdevelopment in Canada.

Four specific new components would form the development system: a national corporation, a local development vehicle,

support networks and a development finance institution. All are essential to the success of the approach.

The national corporation, the Canada Community Opportunity Development Corporation (CCODC), would provide the national context for the development system. A small creative staff would generate a development results/performance path tied to funding. Local initiatives would need to demonstrate successively greater performance capability to qualify for support from the CCODC. The CCODC would act as a catalyst to ensure that a network of services would become available.


At the community level, a new corporate vehicle, the Opportunity Development Corporation (ODC), would be created. Federal legislation would establish criteria under which groups representing self-defined communities and demonstrating support from local governments could be incorporated. Boards of ODCs would be broadly representative. The ODC could operate both profit-making ventures and non-profit community services. It would also be expected to lever additional funds from the private sector.

Support services are recommended in the areas of training, consulting, legal services and information. Where feasible, third-party delivery is to be pursued.

The final major element of the development system is the Opportunity Development Bank (ODB). As banker to community enterprises, the ODB could supplement seed monies available from CCODC. It could be created as a new arm of an existing financial institution, such as the Federal Business Development Bank, linked directly to the national framework through the CCODC.



These four elements make up a national framework which would support the potential for community-based economic development. With sufficient funding and a 10-year time frame, significant development of disadvantaged individuals and communities would occur.



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### FORMULE DE DÉVELOPPEMENT COMMUNAUTAIRE POUR LES ANNÉES 1980

P.D. Brodhead, K. Svenson et M. Decter

Ce rapport analyse les programmes de création directe d'emplois adoptés au cours des dix dernières années et propose une orientation sensiblement différente. Les conclusions principales de l'analyse ont trait à l'évolution du marché du travail canadien dans les années 1980, à l'expérience acquise grâce aux programmes antérieurs et actuels ainsi qu'à la possibilité d'adopter une autre approche efficace. Le rapport propose la mise au point d'une formule de développement communautaire comme prolongement logique des programmes actuels visant la création d'emplois et l'expansion économique: elle viendrait s'ajouter aux initiatives du gouvernement sans pour autant les remplacer.

La formule proposée vise le chômage; les personnes défavorisées et les victimes du chômage structurel au Canada sont les groupes cibles visés par le programme de développement communautaire. Son adoption entraînerait la participation de l'ensemble de la collectivité à la mise sur pied de sociétés d'expansion économique locale. Des ressources seraient mises à la disposition de la collectivité afin de lui donner les moyens, pour la mise en valeur des compétences locales, de s'attaquer au problème du sous-développement. Une infrastructure organisationnelle serait mise en place afin de permettre au secteur défavorisé d'améliorer lui-même la situation socio-économique de la collectivité ou du groupe. Cette mobilisation des compétences, des ressources et de la collectivité favoriserait, par ricochet, la création d'initiatives individuelles. Le fait que la petite entreprise soit, en règle générale, une source de création d'emplois viendrait à l'appui de cette nouvelle approche.

Quatre nouvelles composantes sont essentielles en vue d'assurer le succès de la formule de développement communautaire: une société d'expansion économique nationale, une société d'expansion économique locale, un réseau de services de soutien et une banque d'expansion locale.

La Société d'expansion économique du Canada (SEEC) représenterait l'entité nationale de la formule de développement. Une petite équipe dynamique serait chargée d'élaborer une méthode d'analyse des résultats et du rendement en vue de l'affectation des fonds. Les groupes de la collectivité seraient tenus, à chaque étape du processus, de démontrer la rentabilité de plus en plus grande des initiatives locales afin de recevoir des crédits de la SEEC. En revanche, celle-ci mettrait un réseau de services à leur disposition.

A l'échelle de la collectivité, un nouvel organisme cadre, la Société d'expansion économique locale (SEEL), serait créé. Une loi fédérale définirait les critères régissant la constitution en sociétés des groupes représentant des collectivités bien délimitées et bénéficiant de façon manifeste de l'appui des administrations locales. Les conseils de direction des SEEL seraient représentatifs de l'ensemble de la collectivité. Les SEEL exerceraient des activités à but lucratif, en plus d'offrir bénévolement des services à la collectivité. Elles seraient également chargées de recueillir des fonds supplémentaires auprès du secteur privé.

On recommande la prestation de services de soutien en matière de formation, de consultation, de services juridiques et d'information. Lorsque faire se peut, les services devront être offerts par un tiers.



Enfin, le dernier élément essentiel du système proposé est la Banque d'expansion locale (BELO). En sa qualité de banquier des entreprises communautaires, la BELO consentirait des mises de fonds additionnels par l'entremise de la SEEL. Il pourrait s'agir d'une entité distincte reliée directement au réseau national grâce aux SEEL et offrant ses services par l'intermédiaire d'une institution financière comme la Banque fédérale de développement.

Ces quatre éléments constituent le cadre national qui serait établi pour favoriser le développement économique local. Un financement adéquat s'échelonnant sur une période de dix ans permettra d'améliorer considérablement la situation économique des collectivités et des personnes défavorisés.





## I. INTRODUCTION

In November 1980 and again in January 1981, a group of earnest, dedicated members of the Bella Bella Tribal Council travel the corridors of the federal government in Ottawa. They seek support for a well-documented development plan for their community. A plan that the community has laboured to produce. At the end of every round of meetings, they are referred elsewhere - to another bureaucrat - eventually to the ministers. There is no instrument for an integrated institutional response. The system is not able to respond to a comprehensive plan. Parts of their plan - education - municipal services - health - have programs to support them but the senior government is not equipped to interface with a comprehensive and detailed plan. In particular, there are no mechanisms to support a comprehensive economic plan for the community. Individual projects have available to them a myriad of federal funding but the combining of projects into a development strategy is beyond the institutional ability to respond.

The members of the Bella Bella Tribal Council are puzzled and sad that the sophistication and resources of the federal government are not available to assist a development plan that would reduce their long-term dependency on that same federal government. It is not an isolated case. With more and more frequency representatives of communities from across Canada are seeking support for the socioeconomic development of their communities. They want desperately to get beyond the annual ritual of job creation projects. They want to plan a future for their community and make it happen. They grasp the potential yet lack the resources: financial, organizational, and more importantly those of an ongoing support nature.

The frustration of the community is shared by cabinet ministers and federal officials. It is not the will that is absent or underdeveloped. It is the machinery.

The potential for the building of capacity at the community level - capacity to plan, capacity to manage, capacity for self-sufficiency - is startling. Job creation programs have begun to tap some of that real potential for self-sufficient development. The challenge for the 1980s is for governments and communities to further develop that potential and to realize the significant benefits offered. Both increased economic and social health are possible if the latent energy of communities can be accessed as a source of growth and development.

Pursued with vigour and imagination, this approach offers a dynamic impact in communities where other approaches have failed. It can nurture real development of a viable long-term type. Another tangible benefit of a strategy based on the development of local capacity is that the newly acquired abilities can be applied to other areas. More able local government is a common outcome in small communities where any development provides gain in the skills of residents. Communities gradually gain in their ability to bargain for self-sufficiency, pride and independence. Citizens are once again able to choose among real options including whether or not to stay or leave their home communities.

This paper proposes a number of measures for the realization of this potential but more often the ideas are founded in the lessons learned from existing programs. The task faced here is the application of those lessons to the context of the 1980s.



That context will be characterized by serious fiscal constraints on growth of the expenditure pattern of government. Slower economic growth combined with rapidly increasing energy costs will affect mobility of population and restrict new development. Within these parameters a community-based economic development approach offers the possibility of opportunity, jobs and ultimately, in some cases, a path to self-sufficiency. Not only is the approach appropriate to the context, but it is a logical progression from activities underway in a range of federal government departments.

1. Background

Direct job creation measures have been a recognized feature of government policy since the 1930s. The Relief Camp/Job Corps, entirely financed and usually managed by the public sector, reappeared in the 1950s as a municipally-oriented winter works program.

Current employment development policies and programs reflect the directions established during the late 1960s and early 1970s. During the past decade, policy evolved from a municipal-government-based winter works orientation to a greater involvement in community projects. During the 1970s, just four programs (LIP, Outreach, Canada Works and Young Canada Works) dispersed approximately \$1.5 billion. These resources facilitated the employment of thousands in areas of high unemployment. It placed people in a temporary "holding tank", a reserve for future participation in the labour market.

Over time, efforts have extended to try and reach the hard-core structurally unemployed. Most of the programs have been variations of the original LIP and OFY concepts, with new names and revised targetting criteria and emphasis. Even the more recent, developmentally oriented programs (i.e. LEAP and LEDA) have retained a heavy emphasis on labour intensiveness and have not built support systems. For these reasons and because the efforts lack a solid, integrated development approach, the extension of direct job creation measures to the structurally unemployed has been of limited benefit. With an estimated 200,000 unemployed persons falling in the structural category, the case for another initiative is strong.

Successful long-term development is unlikely to be the result of six month, one year or even three year injections of funding into a community for direct job creation. Planning is necessary. Active community support is essential. A focus on building local capacity is vital. Without these elements the dollars flush through the community leaving little of tangible benefit in their wake. After the expenditure of over two billion job-creation dollars in the last decade, there is, in fact, precious little left. To the extent that programs were aimed at a temporary holding operation for an emergent youth labour force, there is little criticism to be made. For those structurally unemployed the experience has been less fortunate. Direct job creation provided only a temporary and often disruptive intervention in their communities.

The 1980s will not likely usher in an era of prosperity for the disadvantaged or their communities. Hope for these people and these communities depends on proactive, comprehensive initiatives and a responsive framework within which development will occur.



## 2. Proposals

Successful community-based socioeconomic development is possible. Four proposals, if implemented, would foster a development system capable of achieving success. These proposals are the core of a development system.

The community cornerstone of the approach is a new entity called an Opportunity Development Corporation (ODC). A local public-private partnership, the ODC would combine community residents, business expertise, elected leadership, opportunity planning and a corporate structure. Although the rationale highlights the plight of those structurally unemployed, the solution requires participation by the broader community. A local umbrella organization - the ODC - would stimulate the development of capacity, and a variety of social services and economic activities would be initiated. A community plan and a business plan would be key elements. As the ODC gained expertise and experience, it would gain expanded access to funds. The ODC would be the vehicle through which communities like Bella Bella could organize to achieve their development objectives.

While the local vehicle is the cornerstone of the approach, the essential national entity is the Canada Community Opportunity Development Corporation (CCODC). A Crown corporate form, it embodies the long-term aspect of the strategy. The CCODC would be the organizer of the overall system. It would ensure that community and business plans were rooted in achievable reality. Funding would be advanced to ODCs only if performance standards were met: identifying potential and making it happen - twin imperatives for a national corporation. The activities would vary with the regions but the national machinery capable of responding to the development aspirations of communities like Bella Bella would be in place.

Specific roles allotted to the CCODC would include the interface with local ODCs, financing and creation of an appropriate support network. With a small staff and an organized development strategy, the CCODC would evaluate local proposals by criteria such as ability to leverage private sector funds, community impact and potential for growth.

Rather than the CCODC controlling all support services needed at the local level, the service strategy proposed relies heavily on third-party delivery. As a long-term objective the intention is to have necessary legal, technical and training services financed by and responsive to the local ODCs. During the initial phases the CCODC would need to act as midwife. Services could be contracted for by the CCODC from existing institutions or a new mechanism could be created. As the local organizations grow and prosper, the transfer of financing could gradually take place on a cost recovery basis.

Services such as legal support and management training, for community-based development would aid a wide range of communities and enterprises. The overall support service network holds promise for the development system.

The last essential component of the proposed system for supporting community enterprise is a development finance institution. Community enterprises need a banker. Existing banks are often unresponsive. Whether one examines the chartered banks (FBDB), trust companies, or the Federal Business Development Bank, the conclusion is the same. Driven by the need for interest-rate spreads, these institutions are incapable of the innovative financial packaging required by community enterprises. An Opportunity Development Bank



(ODB) is proposed. It would be linked to the CCODC and monitored by it. It would have a separate corporate (policy) identity and could well deliver its service through third parties such as the FBDB or a chartered bank.

Taken together the four elements of the development system provide both a national framework, a local vehicle, a support network and a development institution. These could unlock an exciting potential within people and within communities across our nation.



## II. The Context for a Community-Based Development System

The context for a development system in the 1980s consists of opportunity, experience and constraints. Three questions are posed:

- What conditions and changing conditions offer the opportunity for a community-based development system to succeed?
- What base of experience do we have to build on?
- What limitations and constraints must be recognized?

By addressing each of these questions separately the appropriateness of the development approach can be better judged. Overall a convergence of circumstances favour a community-based approach in the 1980s. Effectiveness of the federal government in achieving success in the policy area will depend on its willingness to construct a development system rather than merely launching a new single-program thrust. These two linked propositions form the major theme of this paper. Successful economic development in the 1980s can and should be the result of a development-system approach targetted at the community level.

By assessing the context of development in the 1980s from the divergent angles of opportunity, experience and constraints, valuable insight is gained into the strong logic and large appeal of this paper's proposal.



## 1. Opportunity

The essential question of conditions demands careful consideration. Without opportunity it would be futile and pointless to launch a governmental effort. If the opportunity and the conditions that form its basis are misunderstood then efforts will miss the mark. Where a pool of unemployed persons and real economic development possibilities exist, opportunity can be seen.

As experience with short-term direct job creation has taught us, there are many, perhaps as many as 200,000 Canadians, structurally unemployed, if duration of unemployment in excess of five months is used as a measure. These individuals are extremely unlikely to develop any permanent attachment to the labour market regardless of the level of economic activity. By their location and skills they are excluded. The needed "bridge" between opportunity and potential has not been built in their communities.

Emerging labour market conditions in the 1980s may well provide the spring board for more comprehensive program thrusts based on current research and the need to develop long-term capacity building instruments to complement the existing short-term responses. It is clear that short-term initiatives can be fine tuned and have a role to play, especially if fitted into a more comprehensive approach. A global framework is now required since the rationale for a "holding tank" orientation, keeping workers in waiting for the future, will be increasingly challenged by industry which needs labour, by a society less and less willing to bear the escalating financial burden of ineffective support measures, and by the unemployed themselves, particularly disadvantaged

groups whose desire to be full participants in the labour force has been repeatedly frustrated. As the recent (1980) reference report on Newfoundland by the Economic Council of Canada asserts, "The unemployed in both provinces (Newfoundland and Ontario) experienced a strong desire to find work." In the same report, the workers' wishes to be self-employed and to remain in their home area came through loud and clear.

Evidence of the need to broaden our approach comes from a score of sources. A Department of Manpower and Immigration presentation to the Standing Senate Committee on National Finance (Ottawa, February 1975) concluded that:

A LIP-style start-up program, while remaining effective for seasonal peaks, cannot be, and was never meant to be, a solution to the problem of continuing unemployment...it cannot deal with the long-term unemployed or unemployable or the problem of geographically isolated and depressed areas which need among other things some sort of community based entrepreneurial activities.

The 1976 Economic Council report, People and Jobs, supported that assessment. A 1978 report by the Canadian Council on Rural Development argued for an increased federal government role on the demand side of the employment equation. David Sachs, Director of the U.S. National Commission for Employment Policy, in the September 8, 1980 issue of Business Week, makes it clear that it may be impossible to run the labour market tight enough to help the most disadvantaged. He argues that increasing aggregate demand may still be the best way to create jobs within the limitation placed by inflationary dangers and he advocates a better preparation for economic recovery. His view is that the payoff from spending \$20,000 to train one person will

exceed that of funding two temporary jobs at \$7,600 each. What is really being advocated is an investment approach not a "holding tank" mentality.

Evidence has accumulated to indicate that neither direct public sector job creation programs, nor private sector employment stimuli are, by themselves, adequate to meet the needs of the hard-core unemployed. Nor are such measures always appropriate. Disadvantaged communities, isolated areas, certain excluded groups, small marginal entrepreneurs and some single (industry) sector communities have been unable to benefit meaningfully for more than short spells from traditional demand- or supply-oriented measures.

To date, emphasis has been placed on direct job creation programs which respond to seasonal employment conditions by creating short-term jobs. More recent programs have stressed a greater economic development orientation and a longer term thrust. Both types of programs have operated independently of each other and only accidentally and occasionally have coordinated with the economic development objectives of other government departments (federal and provincial) or with development plans at the community level. As noted, these programs have been able to employ the unemployed, develop new social services and assist voluntary organizations or government to expand their staff resources.



All these efforts have had beneficial impacts. Given the new conditions of the 1980s, more comprehensive, integrated development approaches should be highlighted. Needed is the melding of short-term direct job creation spending into a development system embodying longer term economic and social development objectives. A range of approaches directed at community-based development are suggested which include the implementation of a national development system designed for communities and peoples experiencing particular economic hardship in both urban and rural situations. Native peoples, single-industry towns and specific interest groups, such as women and the handicapped, would be addressed.

It is a new mix of objectives and associated programs that is being advocated. At the same time, a new fit of development programs into a more coherent, global context encompassing not only economic objectives, but broader social and community goals is seen as the vital development challenge for the 1980s. A recent article by K. S. Dadzie in Scientific American (September 1980) is helpful in defining this broader definition of development. It is described as "the unfolding of people's individual and social imagination in defining goals and inventing ways to approach them." There is development, in his view, when people are able to assert their autonomy and, in self-reliance, to carry out activities of interest to them. The notion of development as a process is suggested in his statement, "to develop is to be or to become. Not only to have." In the international setting, he notes that the theory of development in academic economics and the practice of economic assistance did not take adequate account of political and cultural considerations. It is pointed out that development was a matter of things to be attained by capital accumulation, infrastructure building, management training and the like. A similar view was echoed by Halfdan Mahler (Scientific

American, September 1980) who stated that "the ultimate goal of economic development is to improve the well-being of people. The building of factories, the terracing of land and the training of engineers are but means toward that end."

Current development theories and experience, especially directed at the disadvantaged, and isolated or underdeveloped communities provide a substantive basis on which to reconstruct our present policies, programs and delivery mechanisms. The experience in Canada and abroad is sufficient to permit the formulation and implementation of the development initiatives needed to make a quantum jump into a qualitatively new generation of undertakings. Many existing programs have paved the way. What will be needed is to move further than a simple commitment to participative approaches since, to date, little progress has been made in translating ambitious plans into practical action.

As David Kortan writes in a recent issue of Public Administration Review (September 1980), the crucial dimension is not pre-planning, but an organization with a capacity for embracing error, learning with the people and building new knowledge and institutional capacity through action. International agencies including the World Bank have increasingly recognized that the answer to poverty lies not in relief, but in enhancing the capacity of the disadvantaged to address their own needs. Agency approaches are changing accordingly. In reviewing its recent emphasis on popular participation, USAID has recognized gaps between the planning concepts and the realities of implementation, including the crucial absence of any local mechanisms to give reality to the ideal of participation.

The World Bank and the Asian Development Bank have shifted to greater emphasis on program funding as contrasted with project funding, with program-style loans tied less to schedules and blueprint-style plans. Of relevance to the Canadian setting is the observation that unless institutional capacity building is included as an integral part of a loan package, the approach assumes the prior existence of strong administrative organizations able to take a responsible, flexible and locally responsive approach in the commitment of its funds. Generally, such an assumption is unfounded and the development initiatives fail. It is the contradiction between purpose and procedure that has bedeviled recent development aimed at the disadvantaged or underdeveloped.

All these insights into current conditions form a forceful argument that need and opportunity, the negative and positive of the same photograph, are dramatically present in Canada.

## 2. Experience

Two basic ingredients compose the experience context for a community-based development system. First, we have gained experience from our decade of direct job creation programs. Second, experience with community economic development, though more extensive in the United States, is a reality in Canada. It is possible to reach several conclusions from these experiences. A development system approach represents a logical and progressive step forward from the current array of programs. Also the experience to date indicates that community economic development is a viable and creative option.

Detail on direct job creation is included as Appendix B and further material on community economic development is included as Appendix D.



The 1971-1981 decade represents a unique period in the history of Canadian employment policy. During this time, the traditional focus on policies that would affect the supply of labour was broadened to include programs affecting the demand side of the labour market. Federal direct creation programs were innovative not only in Canada but also in the international sphere. In the early '70s, Canada was regarded as a pioneer in the field and its programs were used as models by other countries.

The introduction of direct job creation programs was made in a social, economic and political climate that was conducive to the active participation of government and the citizenry in an area traditionally left to the operation of the 'market' and to broad-brush macroeconomic government policies.

Perhaps the most immediate factor leading to the introduction of direct job creation programs was the rise in the national average of unemployment rates which, in the period between 1969 and 1974, grew from 4.7 per cent to 5.4 per cent. The increase was ascribed almost entirely to the growth in labour force participation among youth (15-24 years) and women (25 years and older), despite strong growth in employment for both these groups.

Beginning with the Opportunities for Youth Program (OFY) in March 1971, a series of direct job creation programs were initiated by the federal government. Between 1971 and 1976 several programs were started including the Local Initiatives Program (LIP), the Local Employment Assistance Program (LEAP) and the Community Employment Strategy (CES). Of these only LEAP continues to operate.

LEAP was initiated on an experimental basis in 1973, as part of the federal government's commitment to provide manpower services to disadvantaged employment groups. The program provides support to projects that create employment opportunities for people who would likely remain unemployed despite normal labour market activity, by providing funds to individuals, groups and organizations.

Unlike most other federal direct job creation programs, LEAP has managed to survive and, indeed, has grown dramatically. Expenditures in 1973/74, its first fiscal year of operation, were \$5.4 million; in 1980/81 they are expected to be \$65.2 million.

By the mid-1970s, it became clear that unemployment would continue to be a problem and that there would be a need to address not only seasonal unemployment but also unemployment that might be attributable to structural and cyclical causes. In October 1976, the Minister of Manpower and Immigration announced a number of proposed measures to be undertaken by the federal government as part of a five-year employment strategy, commencing in the 1977/78 fiscal year.

Three new direct job creation programs were initiated as part of strategy: Canada Works, Young Canada Works, and the Summer Job Corps, and LEAP was continued.

In 1980, several new initiatives were introduced. Direct job creation programs included the continuation of LEAP, the 1980 Summer Youth Employment Program, the Canada Community Development Projects, the Canada Community Services Projects, the New Technology Employment Program, and the Local Economic Development Assistance Program (LEDA).

Among the programs introduced in 1980, LEDA is considered to have the greatest potential to achieve lasting benefits. An experimental program, it is designed to accelerate a process of economic development already underway in selected communities that are unable to make full use of existing sources of business financing. Non-profit development corporations would be created in these communities to provide counselling, technical advice and assistance to local businesses that will create new, continuing jobs.

With reference to the past, the Economic Council of Canada, in their study "Economic Impact of Selected Programs Directed Toward the Labour Market", suggested that LIP projects attracted persons into the labour market whose former attachment to the labour force was marginal. It concludes that LIP did create new jobs, "but only about the same number as the net increase in the labour force which it induced." Thus, LIP was viewed as having virtually no impact on reducing unemployment below levels that would have been reached through other increased government expenditures.

This observation does not take into account the impacts of LIP (or similar programs) on specific areas. Although the macroeconomic effects of LIP vs. indirect measures aimed at improving employment conditions can, at best, be considered the same, the "micro" effects are ignored. Moreover, the apparent attraction into the labour force of those who otherwise would not have participated may be true, but does not take into account the possibility that these participants may have been part of the "discouraged" worker group.

It is worth noting that in the United States, the direct job creation impact on displacement rates - that is,



the percentage of total jobs created by the program which could have been created through other avenues - varies widely from 8 per cent to 100 per cent.

The OECD ("Direct Job Creation in the Public Sector, Assessment of Experience in Selected OECD Countries," May 1980) has noted that the value of direct job creation may not be in economic output, which has often been seen to be low, but in longer term benefits to employment-disadvantaged workers, which may be great compared with traditional approaches.

It has been suggested that programs directed at seasonal unemployment, such as LIP and OFY, may, in the long term, exacerbate regional imbalances by retarding labour out-migration with short-term incentives.

A characteristic feature of most federal direct job creation programs has been the involvement of Members of Parliament as major actors in the operation of these programs.

Over time, the "local" aspect of community-based programs was reflected in the institution of local advisory boards, the purpose of which has been to recommend proposals to the Minister, in whom is vested the authority to make decisions about project approvals for most programs.

Over the past decade, the stated objectives of community-based programs have increasingly stressed "developmental" aspects. Under Canada Works, for example, projects could operate for longer periods and capital allowances became more generous and varied. In addition, other programs with longer term development objectives, such

as Entrepreneurial LIP, the economic growth components of Canada Works, CES, and LEDA have been introduced on an experimental basis. The difficulty that has often been experienced is that elements of a realistic, integrated development process have been missing. Commitment to a long-term (beyond three years) plan has been absent, as has a support system that would ensure that all elements of development would be fostered. In addition, prospects for activities to become self-sufficient have been frustrated by the requirement of most programs for projects to be non-profit in nature.

Thus, while concern with "development" evolved and was reflected in program objectives and, indeed, in the change, in January 1979, of the name of the Job Creation Branch to the Employment Development Branch, the capacity of programs was not materially affected. The focus has remained on the initiatives of individual organizations carrying out short-term activities.

An additional difficulty, which is becoming increasingly evident, is that after a decade of similar programs, the source of good short-term ideas is running dry. The marginal utility of painting the local church basement decreases after the first time and, given the restrictions cited above, the scope for innovative projects is limited.

One aspect of the lessons from previous programming that is particularly applicable to the development system proposed is the experience of the Company of Young Canadians. The CYC experience is important. The CYC pioneered the identification of community potential. On a modest budget, it demonstrated a very real ability to tap and organize this potential. However, lacking access to

economic development expertise and funding, the community potential tapped found expression in political forms. The absence of a defined development support system led to frustration among CYC volunteers and members of the community, and to disillusionment at the Cabinet level. While CYC identified community potential, neither the Company nor the federal government were able to respond constructively to this potential.

If the central lesson from the CYC can be applied to the task at hand, and if the existing pool of talent can be tapped, the opportunity for community economic development is bright indeed.

Successful examples of community-based economic development exist across Canada. They have resulted from community initiative, dynamic individuals and, in some instances, from the availability of federal job creation funding. There is not a homogenous appearance or organization to these community entities. Nor is there a common origin. However, all the enterprises share a few basic characteristics: community ownership, an ability to plan and manage, and the capacity to grow and adapt. In each case, it is possible to isolate a catalyst: an individual, an event, the closing of a factory, or a crisis of some proportion. These catalytic events underscore the absence of any development system. No organized effort has ever been mounted to promote and support community economic development in Canada. A variety of programs have tapped the potential while pursuing other mandates and other objectives. Community economic development has occurred but as a by-product of programming and, in some cases, in spite of program guidelines.



The following examples are intended to illustrate both the concept and the reality of community economic development in Canada. As well, they are intended to illustrate the diversity of the concept and its potential. Each year a large number of new community-based organizations are created in Canada. These organizations are all created in response to a need that has been identified and discussed within communities. Many have short lives due to the nature of the need, the inability of the organization to establish itself as a credible community institution, the inability of the organization to show progress toward achieving its goals, and the lack of funds and other resources. Many have economic development objectives and some have the potential to become self-sustaining. More could become viable if there were adequate support services and a performance-oriented development framework within which organizational capacity could grow.

Then, diversity is in terms of location, definition of community, functions to be performed, type of organization and stage of development. It is evident from the review that community-based organizations having economic development as their primary objective have been created relatively recently (within the past five years). Pressures for this type of development organization are likely to increase.

### 3. Constraints

One of the harsh political and governmental lessons to be derived from the delivery of job creation programming is the nature of the limits that constrain success. Much of the implementation difficulty experienced at the field level with job creation projects can be traced to faulty assumptions about the nature of the community environment and optimistic

views about the ability of government to benevolently assist. A functioning, or viable community, is characterized by its capacity to organize in order to solve problems. A non-functioning community is characterized by its inability to organize to solve problems or by its dependence on outside resources to solve its problems. In many ways communities are like living organisms. Individual cells are continually being created and continually dying. As long as the organism can maintain an appropriate balance then health is maintained. Communities are also continually acquiring and losing people, skills and resources. If the community can organize to maintain a balance between its gains and losses then it can maintain its viability.

Job creation activities frequently assumed a far greater ability to plan and manage than existed at the community level. When skills and organizational capacity at the community level proved too underdeveloped to sustain the management requirements of projects, those requirements were weakened or replaced by benevolent "assistance" from field staff. Rather than structuring a process whereby local skills and capacities were expanded and taught in a systematic way, allowances were made. Lack of competence was not only tolerated but, by neglect, encouraged. Instead of fostering community capacity the result has been a fostering of dependence.

Special ARDA and other economic development programs, also make assumptions about the capacity of the community to support the efforts of an individual entrepreneur. These programs tend to assume that management skills are possessed and that the expectations of the community will reinforce the success of an economic development project. Success expectations of the community are often framed in terms of

"jobs" whereas success in terms of "program" expectations is "economic viability." Community pressures are exerted on the board of directors to provide employment in the community and the board ends up hiring more workers than can be viably supported by the project. The project then ends up a "failure" and ceases to exist unless it is subsidized so that it can continue.

The consequence of these approaches has been the creation of community dependence and the loss of public confidence in job creation and economic development programs. The implications for a new governmental thrust are evident. Care must be taken to identify and nurture capacity to plan and manage. Program management demands must not swamp the level of ability present but must expand that ability. Realistic expectations must be established with the organization and the community from day one not at a time of stress or difficulty. A full range of support services needs to be put in place.

Finally, the constraints dictate two outcomes for pace and scale. While both need to be geared to the state of local capacity, opposite conclusions are drawn. The pace of interaction and development must be sufficiently slow to allow growth in community abilities. At the same time, the ultimate scale of community-level corporations must be large enough to generate significant impacts and render the effort worthwhile. With the proper approach the inherent constraints can be overcome and an effective effort launched.



### III. A Community-Based Approach

A scarce resource in the development of the Canadian economy is entrepreneurship. That organizational talent for combining labour, capital, technology and opportunity has been in short supply. A strong reason for a community-based approach in the 1980s is the absolute necessity of harnessing scarce entrepreneurship that exists in communities across Canada. Programs such as OFY, LIP, LEAP, Special ARDA and CYC have tapped some of the real potential present, but the absence of a thorough, organized community approach limited success. The absence of a development system, discussed in the Section IV, was also a major limiting factor.

The options available to a national government seeking to generate economic activity and development are limited. It can adopt a strategy based on individuals, or corporations or communities. The current federal policy has in place a myriad of economic and employment development programs geared to assisting individual and corporate development. Absent to date have been programs designed specifically to utilize a community base. There are several strong reasons for seeking to fill that gap.

Communities have entrepreneurial talent and potential. This untapped opportunity could be an important source of motivation and drive for development. It could assist in the creation of jobs and in changing economic opportunities into real enterprises. With government efforts in the fields of assistance to individuals and corporations well developed, the remaining avenue is support to communities.

Programs targetted to assist disadvantaged groups have suffered from restrictive organizational limits that have prevented other than the disadvantaged from participating. By utilizing the abilities of the larger community the situation of the disadvantaged can be more easily improved. Rather than conflict between the disadvantaged and local power groups, the proposed community-based approach would promote mutual aid and growth.

Mobility has been tried as a solution to structural unemployment. It has not worked. In addition to the high social cost of abandonment of existing communities there is a real economic cost. The reality of current Canadian development will guarantee the stubborn survival of a myriad of smaller communities. The issue to be addressed is whether the federal government will create a development system with a community base and a capacity to aid these communities. The proposals of this paper strongly recommend that action and some ways and means of accomplishing it.

Communities in Canada are facing a decade of rapid change. In Ontario's industrial heartland the turmoil and profound shifts in automotive production will pose severe problems for a set of communities dependent on that industry. In the West, rapid resource development will create new communities and dramatically alter the size of existing centres. Both more rapid technological change and a resultant acceleration in the rate at which industries rise and fall hold serious challenges for communities. The issue is the capacity of communities to cope with opportunity, with adversity, in essence, to cope with change. The true measure of the health and well-being of a community must ultimately be its ability to cope successfully with change.

Despite the general labour market tightening predicted by economists, there will remain a number of labour "segments" where extremely high levels of unemployment persist. It is these labour force segments and those who participate in them that form part of the substantial target for community economic development efforts. This is not to suggest that poor and disadvantaged Canadians will be the exclusive participants in a community-based economic development approach. Indeed, the real strength of the approach is its ability to involve an entire community in the process of developing opportunity.

Examples of target communities may be cited although the essence of the development system approach is support of community initiative, not top down targetting. Such examples would include the following categories:

1) Single-industry towns

- forest based
- fishing based
- mining based

2) Native population groups

- traditional villages or reserves
- urban ghettos

3) Remote settlements

- northern
- rural
- coastal



In addition to a definition of target labour markets based on the economic base of communities, it is also possible to utilize different group characteristics as a basis for targetting. For example, Indian reserves, Métis communities and urban areas with a high concentration of Native population could be part of a priority grouping. As could interest groups such as women who face certain employment barriers.

The essential point is that severe restrictions exist within the Canadian labour market. Geography, skill distribution and the characteristics of certain low-wage jobs combine to limit movement and mobility. As a consequence, the matching of the structurally unemployed and employment opportunities is not an effective or often successful activity. The community-based approach to employment and economic development offers a method of converging opportunities with groups of the structurally unemployed. Again it is essential to stress that unemployed persons are not the sole target of the approach - communities are the real target. Through the mobilization of capacity progress will be achieved.

Two potent factors in the development of any view of the 1980s are technology and energy. To the extent that trends in technology and energy prices impact on communities by exerting pressure toward centralization or decentralization they are important.

Energy price trends forecast the direction of change with certainty. Energy prices will rise at a rate of at least 15 per cent plus per annum during this decade. Rapid

increases in the price of energy have the effect of decreasing mobility. Denser urban settlement, a decline in the growth of suburbs and a decline in exurban development are likely outcomes. Increased pressure for residential development in downtown areas of urban centers as well as redevelopment of older neighbourhoods close to the city core will create opportunities. It will also focus attention on urban ghettos where significant numbers of unemployed and underemployed Canadians reside.

Technological advances are likely to offset, to some uncertain degree, the concentrating effect of energy price increases. More rapid, cheaper communication technology will allow a wider dispersion of population. Proliferation of information technology will reduce the pressure for concentration of population.

A final and compelling argument in favour of a community-based approach stems from a consideration of the binding threads of our nation. Healthy, strong communities defined by an ability to cope with change and benefit from it are the cornerstone for a healthy, strong nation. A community-based approach offers a theme for a national effort with significant payoff for national unity.





#### IV. A Development System Approach

The need for a broadly based government policy thrust rather than for a single new program is at the core of the necessity for a development system. During the 1970s, direct job creation efforts were packaged as a series of individual programs - each with its own set of rules and procedures. There was no continuity of support. There was not network of support systems or institutions. As a consequence, community enterprise was stunted while projects were born, flourished and disappeared. Absent were long-term job creation initiatives capable of providing permanent jobs with a substantial economic benefit to individuals and communities.

The missing elements can be enumerated. A local corporate vehicle seldom emerged. The transition from a project organization form to a multi-project corporate form was not facilitated. Missing was a dynamic vehicle to harness entrepreneurship on behalf of a community.

While dollars were plentiful through direct job creation programs, severe restrictions were placed on capital investment in favour of labour intensive projects. To ensure maximum short-term job creation the use of funds as venture major missing ingredient. Part and parcel of the absence of venture capital was the lack of a source of creative loan financing.

A third missing link evident in a review of previous direct job creation was a process of evolution. Projects were approved or rejected. They were not eligible for progressively greater responsibilities as their ability to manage increased. A development process managed in a national framework never emerged.

The fourth and final element required by a development system (absent to date) is support services of a legal, training, information and technical nature.

A key aspect of a development system is continuity of support for community organizations as they move up a "ladder" of development.

The concept of a development system approach includes the deliberate nurturing of longevity and multi-function in community projects. Rather than the costly burden of initiating new projects annually the community would be assisted in developing larger scale, multi-project corporations. Substantial benefits would accrue from the continuity and the building of capacity to plan and manage. The reorientation of programming to provide continuing inputs to a limited number of projects would mark movement towards a development system approach.

Rather than dependence upon the annual budget cycle in direct job creation and other single-program thrusts the development system would nurture planned movement towards self-sufficiency.

Two reciprocal concepts are at the heart of the development system approach. At the community level there is the idea that capacity to plan and manage is more readily developed by an ongoing development vehicle - corporation or project - than by a series of small-scale, short-lived projects. Development of local capacity is a prime objective. The other key concept of the development system approach is at the government level. There a development system approach would require several new institutions and an overall policy thrust.

V. Proposal For A Community-Based Development System for the 1980s

Previous sections of this paper have established that:

- a) Most people-related problems and economic development problems are multiple issue in nature and require long-term, co-ordinated efforts at the community level. Community-based organizations must be able to plan, organize and manage local effort, link government and private sector support, and maintain a high level of community support over an extended period of time.
- b) The existing system does not facilitate the growth of community capacity. There are a large number of program and funding supports for single-issue projects to develop the organizational capacity to overcome the institutional barriers and build a more comprehensive approach.
- c) A development system is required that will foster the growth of strong community-level organizations that will be able to increase in capacity until they are self-supporting. The development system must provide a framework for the growth of local organizations, a framework for government coordination, a framework for private sector input and a development financing capability. The system must also ensure that a network of relevant services is available to support and sustain the growth of local organizations.



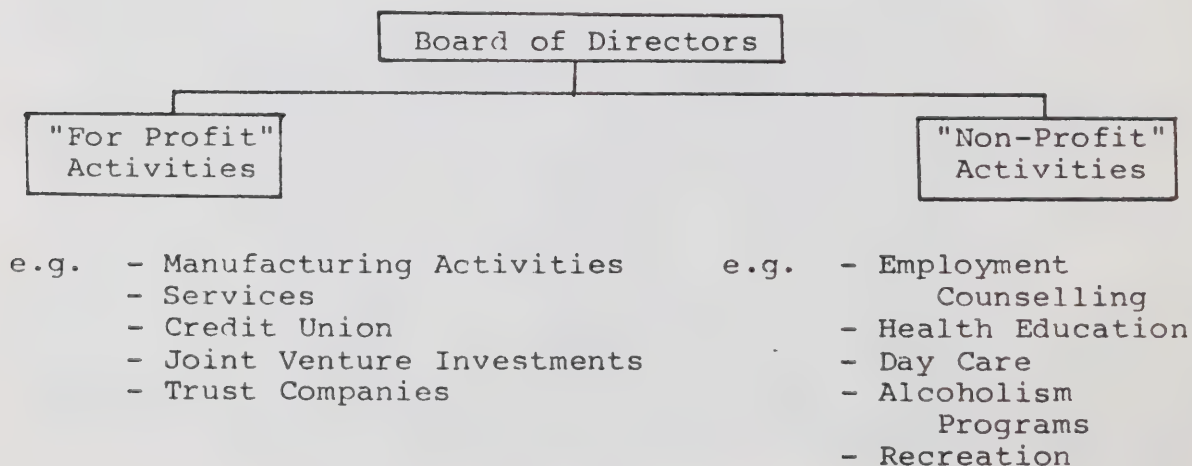
The proposed system has four elements that, if taken together, will create an effective development system. The four elements are:

- a) a local vehicle,
- b) a national organization to provide an overall framework and coordination,
- c) a support network, and
- d) a national development financing organization,

Each of these elements will be described in some detail.

#### 1. The Local Vehicle

A local vehicle is a community organization that has the capacity to develop and manage projects and programs to achieve both economic and social objectives. A typical organization might be structured as follows:



A major objective of this organization is to become self-supporting, and, therefore, a major emphasis during the early stages of the growth of the organization must be "for

profit" activities. The organization can then make the decision to allocate profits to additional "for profit" ventures or to "non-profit" activities. The organization could also operate a number of the activities in the "non-profit" category by obtaining contracts from other (perhaps government) agencies. Organizations of this type will be called Opportunity Development Corporations (ODC).

There are a number of communities in Canada that have organizations functioning at the level of a local Opportunity Development Corporation. Examples are New Dawn Enterprises and the Guysborough Community Employment Strategy Association in Nova Scotia and the Burns Lake Native Development Corporation in British Columbia. [These organizations are described in more detail in Appendix A.] Community organizations with this level of sophistication do not arise automatically. Many community organizations become successful at managing a single-issue project, but far fewer reach the level of managing multiple projects and very few reach the level of being self-sufficient. Chart 1 attempts to describe the levels of organizational capacity that must be achieved by an ODC in order to reach a level of self-sufficiency. This chart is expanded later to illustrate relationships among all the supporting and fostering activities in the development system.

CHART 1

CAPACITY LEVEL OF COMMUNITY ORGANIZATIONS

Level	Capacities/Activities
1	Initiates a single-issue project. Demonstrates initial community acceptance. Limited management & organizational ability. Limited technical ability.
2	Demonstrates ability to plan & manage a single-issue project. Demonstrated community acceptance. Proposal to create a comprehensive development plan. Development of a community development plan.
3	Has an approved development plan with community support. Has an approved business plan. Appropriate organization (ODC) in operation with a board of directors drawn partially from wider community. Financial package for first stage of plan.
4	Has planned & operated 2 or more projects effectively. Continued business development planning, management & financial packaging including leveraging of private sector capital. Perhaps becomes an umbrella organization for existing single-issue projects. Makes profits a financial institution.
5	As above but with significant equity capital accumulation. Perhaps a financial institution.
6	Core organization is totally supported from business activity (self-supporting).



Level 1 organizations are the type fortified by most of the existing government programs that are designed to operate at the community level. A very large number of organizations initiate and obtain funding for projects. Some are successful at this level and some are not. Many of the successful organizations are satisfied with operating at this level and satisfied with the nature of the funding relationships. Some organizations and some people begin to see that if solid development is to occur within the community that a more comprehensive approach is required. Organizations that acquire this broader community perspective and obtain acceptance by the community for the idea of creating a development plan to coordinate existing activities and to identify long-term efforts that would change some of the conditions causing problems are at Level 2. Very few government programs provide support to organizations wishing to create community development plans. Some money for this type of activity can be obtained from Special ARDA and from LEAP. This is one reason why it is very difficult for a single-issue organization to make the transition to a more comprehensive body.

When an organization has prepared a development plan and has obtained community support for such a plan, it becomes a Level 3 organization. Government support for organizations at this level is almost non-existent. If an organization is to proceed with a development plan under existing arrangements, then the plan must be broken down into a number of single issue projects, and the appropriate agency dealing with each single-issue must be approached separately. Because of differing qualification criteria, different decision time frames and different reporting and performance criteria, it is extremely difficult to progress from Level 2 to Level 3. This is the problem being confronted by the

Bella Bella Band. No one is prepared to respond in a comprehensive way to their comprehensive proposal. The existing system does not foster this type of community capacity. If an organization does develop to Level 3, then it is soon evident that the necessary supports to progress to self-sufficiency are non-existent. The other elements of the development system proposal are intended to rectify this lack of support for growth in community organization capacity.

The advantages of an ODC with several activities over a single-project entity are that an ODC has the potential:

- to transform wage dollars into investment dollars;
- to identify a range of opportunities at the community level;
- to develop long-term capacity;
- to service a business failure and to learn from it; and
- to draw funds from several public and private sources and combine them to enable the success of a project.

The basic concepts associated with an Opportunity Development Corporation under the development system are community self-definition, partnership of business and community and the ability to raise capital through a variety of means from a variety of sources. Only one ODC per community area will be supported. A business and community development plan is a central element of the process. This plan, developed within the community will have long-term viability as its goal and the leveraging of private investment as a key element. The other three elements of the development system are designed to provide the necessary supports to foster and nurture these local opportunity development corporations.

A key principle in any effective development process is the application of performance standards. A performance standard is an activity measurement that indicates an acceptable level of both quality and quantity of production in the activity under consideration. Chart 1 implies some performance standard measurements that become more vigorous as the capacity level increases.

Performance standards are necessary for a number of reasons:

1. Commitment - The measure of commitment in the regular business community is the investment of owned resources. If a firm wishes to borrow money then the lender requires that a proportion of the total investment come from the firm itself. Community-based organizations may not have the money to invest, so one policy for a measurement of commitment is a reputation for past performance. Such a reputation can only be valuable if it can be measured against some standard and can be documented.
2. Success measurement - The major criteria for success in regular business is "profit" but the long-term objective of community-based organizations is "self-sufficiency" not "profit". Performance standards, which have been appropriately designed, are a method of measuring the progress of a community organization in acquiring those characteristics associated with self-sufficiency.



3. Evaluation and Funding Allocation Decisions -  
Criteria for investment and credit decisions in the regular business community involve an assessment of assets and liabilities, past performance as measured by profit and likely future performance based on a judgement of product, market and management performance. Funding for community-based development should include some of these factors but should also include other factors as outlined below. A successful performance history should allow a community-based organization access to progressively greater levels of funding in a manner similar to the normal business environment. Funding decisions should not be based only on the quality or style of the proposal as is sometimes the case with existing programs but should be based upon a systematic method of performance measurement. Performance can then be rewarded and lack of performance penalized.
4. Making the activity "real"-"Real" issues, projects and activities have consequences. In the business world, success brings additional income, additional investment capital and additional credibility in the community, which brings access to additional resources. Government-funded community activities tend to have no consequences. Funding is allocated on the basis of a project proposal and the project sponsors are accountable for spending the money for the intended purposes. The quantity and quality of the "product" receive periferal consideration. Under present programs successful production does not increase access to resources nor does lack of

success decrease access. Performance standards applied in the context of Chart 1 will enable government funding to be allocated in a manner that will bring consequences. Achievement of performance standards will bring access to increasing levels of resources, while lack of performance will reduce expected funding. In this way projects will become "real."

Performance should be measured in at least four areas:

1. Community support - A major purpose of community-based development is to strengthen the ability of communities to cope with changing conditions. It is, therefore, implicit that the entire community be affected in some way by any development organization. Do the members of the community have and awareness of the project, group or proposal? Does the community have a supportive attitude? Are there major sources of opposition within the community? How is this opposition being handled? Is the community willing to invest in the project or group? Are they willing to provide financial help, expertise, facilities, or equipment or donate labour?
2. Management Capacity - The success of any business or service project depends on the skill of the management and the diligence with which this skill is applied to the problems being confronted. No activity can be entirely preplanned and so each project must have adequate management. The more complex and larger the project, the more competent

and well-organized the management must be. Does the board of directors have adequate representation in terms of the composition of the community and the skills and abilities need for goal achievement? Do the board of directors and the staff understand their roles, relationships and mutual expectations? Are the organization's short- and long-term goals well defined? Is the structure of the organization appropriate to the size and nature of the task? Are the necessary technical skills available for the task? Is the organization able to manage these resources appropriately? Are appropriate financial systems, procedures and controls established and operating smoothly?

3. Ability to leverage non-government resources - One of the major objectives of the entire program is to reduce dependency on government resources. The ability to locate and use non-government resources is therefore a prime indicator of organizational maturity. What resources are available from the community? What additional resources will become available if government funding is available?
4. Production - Every project is created for the purpose of producing a good or a service. Production must therefore be a prime indicator of success. Does the organization have a history of successful production? Is the production level proposed appropriate to the capacity of the organization and the conditions of the market? Are production goals defined in measurable terms? Are production time frames reasonable?



Performance standards based on the above principles can be applied in a general way in defining and specifying the "Capacity Levels" in Chart 1, assessing project applications for funding, deciding the type and level of funding to be provided, writing funding contracts and determining the extent of pay-out under contracts. When defining performance standards in relation to capacity levels, the standard increases with each level and this can readily be related to funding type and magnitude. As organizations are able to meet increasingly demanding performance standards (i.e. have reached higher levels of capacity) they become eligible for increasing levels of financing with increasing levels of discretion. If an organization applies for a type and level of funding that is inappropriate to its current ability to perform (as measured against the standard) the Canada Community Opportunity Development Corporation may enter into a contract with the organization to strengthen its capacity, and if appropriate changes can be made then the project application could be reconsidered. If the performance criteria cannot be met then further action would not be considered. In this way the entire development system is linked through the application of the principles of performance standards.

In addition to the designed impact of performance standards, as discussed above, there are also indirect implications. It is likely that as other government and non-government funding agencies become familiar with the concepts of "performance standards" and "capacity levels" that they will relate their funding criteria to these principles because of the increased potential for success.

## 2. The National Organization

The proposed national organization is the Canada Community Opportunity Development Corporation (CCODC), which will be the major new government component of the development system. The CCODC will have the responsibility for providing the government interface with local opportunity development corporations. It will be a conduit for venture capital financing and the midwife for the creation of the necessary, third-party, support institutions.

The interface with the local ODCs can best be described by referring to the Chart 1. Government interface with Level 1 organizations will be primarily through existing government programs. This is almost no change from the current situation. The CCODC will attempt to identify organizations at the community level which have the interest and the potential to become a more broadly based local opportunity development corporation and will supply these organizations with program and process information. Interface between community organizations and the CCODC really begins at Level 2 when there is a proposal to create a comprehensive development plan. At this stage, CCODC field staff will advise the potential ODC on the development-plan proposal, and the CCODC will have funds available to support organizations in preparing a development plan. Funds will be made available under a contract between the potential ODC and the CCODC, with specific performance criteria included as part of the contract. The performance criteria will include criteria governing the quality of the development plan and the extent of community involvement and support. If the organization is successful in meeting the performance criteria, then it becomes eligible for additional funding at

Level 3. If it is unsuccessful, then the organization may disappear or may continue to function at Level 1. Funding at Level 2 will include funds to contract with other support services and includes instruction and guidance from CCODC field staff. Funding priority at Level 2 and at every other level will be partly determined by the extent of community support and commitment, and this commitment will be partly assessed on the extent of financial participation by the community as compared with the ability of the community to participate.

CCODC involvement with a community organization reaches its peak at Level 3. Once a community-supported development and business plan has been approved and a formal Opportunity Development Corporation has been approved, then the ODC becomes eligible for core funding (which includes funds for a board of directors and staff training, additional planning and business development, community involvement, legal and consulting services, and administration) and venture capital funding. Venture capital funding is provided as part of the business plan and is to be used to leverage other private sector investment, loans and government funds. Core funding is provided under a performance contract arrangement, and CCODC staff closely monitor activities at this stage.

Local opportunity development corporations at Level 4 continue to receive a high level of core funding, but access to venture capital funding is on a "bidding" basis. Each corporation at Level 4 (and Level 5) submits proposals to the venture capital fund, and only the "best" bids are funded to the limit of the venture capital fund capacity for that year. "Bids" are assessed on the basis of viability of the venture, potential to leverage private sector funds, and the ability of the ODC to manage the proposed project effectively.

Level 5 organizations can still participate in the "bidding" system for venture capital, but receive decreasing core funding support. Core expenses are expected to be increasingly paid for from business profits until at Level 6 the local corporation no longer has access to either core funding or venture capital funding. (Although the direct support discussed may not be available, Opportunity Development Corporations may, under potential legislation, be given access to special financing vehicles, such as the ability to issue community bonds, which are not available to regular businesses.) The entire process from Level 2 to Level 6 will likely take about five years, but should take no longer than ten years.

Chart 2 summarizes the relationships between the Canada Community Opportunity Development Corporation and the local organizations.



CHART 2

CCODC AND COMMUNITY ORGANIZATIONS

Organization Level	CCODC Support Activities
1	Provides information.
2	Provides information. Consults on development plans. Trains re contract management. Funds for preparation of a development plan.
3	Assesses & approves development plans. Provides core funds for approved ODCs. Provides initial venture capital funds for stage 1 of approved business plans. Monitors performance of ODCs & ensures availability of support services.
4	Continues to provide core funding. Provides venture capital funds to ODCs, with successful "bids". Continues Monitoring.
5	Provides reduced levels of core funding. Provides venture capital to ODCs with successful "bids". Continues monitoring.
6	No direct involvement.

### 3. Support Systems/Institutions

The Canada Community Opportunity Development Corporation will also have a role in ensuring that adequate and appropriate support services are available to potential and developing local opportunity development corporations. The services themselves and the role of the CCODC are described in the next section.

Since most of the services required to support the local Opportunity Development Corporations are to be delivered by third parties, the staffing requirements for the CCODC are minimal. To the greatest extent possible, the CCODC is seen as a catalyst and organizer, not as a programmer. It is the CCODC that establishes the performance criteria for the ODCs and regulates the flow of dollars to them based upon their ability to meet goals. The ODCs are not subsidiaries. The intent is to reduce the dependency of the ODCs on CCODC support and funding, not to institutionalize such dependence.

The major thrust of the development system approach is to stimulate the creation of capacity at the community level to deal with problems that become evident at the community level. The major new community-level vehicle, which will enhance community capacity, is the Opportunity Development Corporation, but a range of other community vehicles could also be strengthened by the reorientation and organization of a number of support services. Although the primary justification for strengthening a number of support services is to support the ODCs, this strengthening should be done so that access by other community-based organizations is enhanced and not diminished. The provision of services should also be made so as to foster independence and not dependence of the community organization.

It is also desirable that the responsibility for service should not be concentrated in any one agency and that no major new bureaucracy be created. The support services must also be accessible to a very geographically dispersed group of community-based organizations. This indicates that the delivery of services should also be dispersed. In summary, the parameters for organizing support systems for the Opportunity Development Corporation are:

i) Accessibility to both Opportunity Development Corporations and other community-based organizations.

ii) Foster independence of community-based organizations.

iii) Services should not be available from only one large agency nor should a major new bureaucracy be created.

iv) Services must be accessible geographically.

v) Services to community-based organizations must use the existing support-service structure as a base.

vi) The support system should become self-supporting.

There are several categories of services that a local Opportunity Development Corporation will require in order to function effectively. These organizations will vary, depending on the particular projects undertaken, and this expertise likely can be acquired most readily in the form of a consultant-type arrangement on a project basis.

Community-based organizations also require training of various types, such as board of directors training, manager training and staff training. A third area of need is legal assistance. In addition to the regular concerns of incorporation, organization and acquisition of property, there is a general need for legal information, especially that related to legal issues being faced by the community-based organization, and what potential issues that may arise. There is also a need for information of two other types: information about programs and funding sources, and information about the activities and innovations of other community-based organizations.

Each support element will be handled in a slightly different manner, but it will be the responsibility of the CCODC to facilitate the effective growth of all support elements. Chart 3 summarizes the organization of the required support network.



# CHART 3

## SUMMARY SUPPORT NETWORK FOR COMMUNITY-BASED DEVELOPMENT

Function or Service	Delivery Method	Role of CCODC
1. Consulting Service	ODC will select, contract with and supervise consulting firms as the need arises. Funding for local opportunity development corporations will include the provision for such contracts.	<p>a) Train ODCs' in selection and control of consulting firms:</p> <ul style="list-style-type: none"> <li>i) Define minimum performance criteria.</li> <li>ii) Assist in preparing bidding specifications.</li> <li>iii) Assist in assessing bids.</li> <li>iv) Provide training in supervising consultants.</li> </ul> <p>b) Provide orientation to consultants wishing to bid on ODC contracts.</p>
2. Training Services	ODCs will contract with or pay tuition to existing training institutions that elect to provide appropriate training.	<p>a) Identify the necessary training components;</p> <p>b) Locate suitable existing delivery vehicles;</p> <p>c) Match community-based organizations with training services;</p> <p>d) Identify deficiencies and stimulate existing institutions to rectify deficiencies;</p> <p>e) Maintain a scholarship plan and a career assignment program.</p>

CHART 3 (cont'd)

Function or Service	Delivery Method	Role of CCODC
3. Legal Services	<p>ODCs will hire participating lawyers on a "fee-for-service" basis. They will also pay subscription costs for the legal information service. If specialized legal consultation between local lawyers and the national legal service is required, this will be paid by legal fees unless the issue is of general benefit to all ODCs in which case CCODC will pay costs.</p>	<p>Fund an existing law department at a university to:</p> <ul style="list-style-type: none"> <li>a) Do basic legal research;</li> <li>b) Provide an information service;</li> <li>c) Develop and deliver an orientation seminar to participating lawyers;</li> <li>d) Maintain a list of "approved" lawyers participating in the community-based development program;</li> <li>e) Provide specialist legal consulting.</li> </ul>
4. Information	<p>ODCs will:</p> <ul style="list-style-type: none"> <li>a) Pay a subscription cost for the legal information service (as above).</li> <li>b) Obtain program information directly from CCODC at no cost.</li> <li>c) Form an association of ODCs or other appropriate body, if information sharing among ODCs is desired.</li> </ul>	<ul style="list-style-type: none"> <li>a) Provide program information at no charge.</li> </ul>
5. Advocacy	<p>ODCs will form an association or other appropriate body as the need for this function is perceived.</p> <ul style="list-style-type: none"> <li>a) Public Information</li> <li>b) Lobbying</li> </ul>	<p>No direct role.</p>

The support system illustrated in the Chart 3 meets the requirements stated earlier. Since most of the services operate on a "fee-for-service" basis they will become self-supporting and require no continuing funding or administrative bureaucracy. These services will be made available to any community organization on a "fee-for-service" basis. Services are accessible geographically because consultants, training institutions and lawyers can "opt-into" the program as a demand is expressed by community groups in their area. Independence is fostered because community organizations have a choice of where to purchase services and can evaluate directly whether the service is meeting their needs.

The major role of the Canada Community Opportunity Development Corporation will be to facilitate the systematic delivery of support services to community-based organizations. Once this is done, relatively little continuing support will be required.

#### 4. A Development Finance Organization

Earlier in the report the distinction between development institutions and finance institutions was discussed and the concept of a middle institution, the development financier, identified. A new development finance institution is also proposed as a necessary part of the development system. Dubbed the Opportunity Development Bank (ODB), it would be a major new source of funds for community economic development. A separate entity from the Canada Community Opportunity Development Corporation, the ODB would serve as a banker to local Opportunity Development Corporations.

While primarily a source of creative financing packages for ODCs, the ODB would be able to assist other community enterprises where circumstances warranted.

Venture capital is a *raison d'être* of the ODB. Innovative financial packages tailored to the needs of community enterprise are the prime need. Decision-making based on an analysis of social costs and benefits as well as on private returns is the mandate of the ODB mandate.

The logical question arises of why two separate sources of financing need be available to Opportunity Development Corporations. Why not channel all the dollars through the CCODC? The division between the CCODC as a core funding source and the ODB as a banker to community enterprise is quite important. The CCODC will be the source of original equity while the ODB will perform a banking function, albeit a creative banking function. The CCODC will be concerned with nurturing the local corporations. The ODB will be a means by which larger scale enterprises or ventures could be launched.

Its role will be to finance development of real opportunities properly presented by the local Opportunity Development Corporations. A creative tension between bank and client will prepare local corporations for dealing with private sector banking institutions. The separation of the banking function will also create a situation where a critical review process is present.

Community-based corporations are a relatively new phenomenon in Canada. New small businesses, particularly community-owned businesses, are often considered risky ventures by the financial community. This causes difficulty



in gaining access to existing credit and investment funds. Risk is perceived as higher than acceptable due to uncertainties. Also, many new small businesses have neither the ability nor the understanding of the financial marketplace to gain access to funds. The overestimation of risk by purely financial institutions is a major reason for creating the Opportunity Development Bank.

It has been found that overestimation of risk is often based on imperfect information. The inability of small business to prepare a sophisticated justification of proposals is also a factor. By assisting in the development of venture ideas, the ODB would aid local corporations.

An Opportunity Development Bank would also assist in the creation of effective financing proposals. This would help increase access to existing financial institutions, as well as increasing the financial knowledge possessed by local corporations.

When additional incentives are required to encourage existing financial institutions to participate, a loan guarantee and administrative subsidy program would be activated for qualifying businesses such as those sponsored by a community corporation. The administrative subsidy could apply to all loans in this category while the loan guarantee would be activated if community-corporation loans defaulted at a higher rate than others being served by the credit institution.

There would also be a direct investment capability when it was felt that a more direct role in management was desirable due to the inexperience of the management or the complexity of the project. Direct investment would allow the

ODB to appoint a member to the board of directors of the business firm.

The Opportunity Development Bank would require government capital funding. The emphasis on gaining access to established financial institutions would mean that this funding would be subject to recovery and would be used as leverage.

The ODB could be administered through the existing Federal Business Development Bank in the same way that the Small Business Loan Program of the Department of Finance is administered by the chartered banks. Several options for implementing the ODB are discussed in Appendix F.

The important principles in a decision about the optimum location for the Opportunity Development Bank include the following:

- avoidance of administrative duplication - use of an existing network of banking offices (if found to be feasible)
- control of criteria for financing remains with CODC - administration of criteria lodged with FBDB and other existing banking institutions
- regular review of performance by the delivery agent and possibility of transfer of ODB function to another institution if standards are not met.

So long as these principles can be attained the Opportunity Development Bank could be implemented in a variety of ways and still meet its objectives. A banker to

communities would be added as a function to the diverse range of banking functions currently carried out by the federal government.

5. Summary

The proposed development system has four major elements:

1. A local development vehicle - The local Opportunity Development Corporation.

2. A national organization to provide a development framework and co-ordination - The Canada Community Opportunity Development Corporation.

3. A support network - Services delivered by third parties.

4. A development finance institution - The Opportunity Development Bank.

The purpose of the system is to facilitate the growth at the community level of self-sufficient organizations for comprehensive economic and social development. A few such organizations exist in Canada at the present time, but it is very difficult for a community organization to evolve to the desired level, because of the structure of existing resources relevant to the growth of community organizations. The proposal identifies an organizational growth ladder for community organizations and proposes the addition of two new organizations (the CCODC and the ODB) to facilitate the growth of community organizations beyond single-issue project entities as well as influencing some of the existing services so that they can be more supportive of this objective (the support network). The major community-level vehicle to

undertake this comprehensive approach to development is the local Opportunity Development Corporation. The major sources of services and financing for ODCs are summarized in Charts 4, 5 and 6.



Chart 4

Major Sources of Services for Opportunity Development Corporations

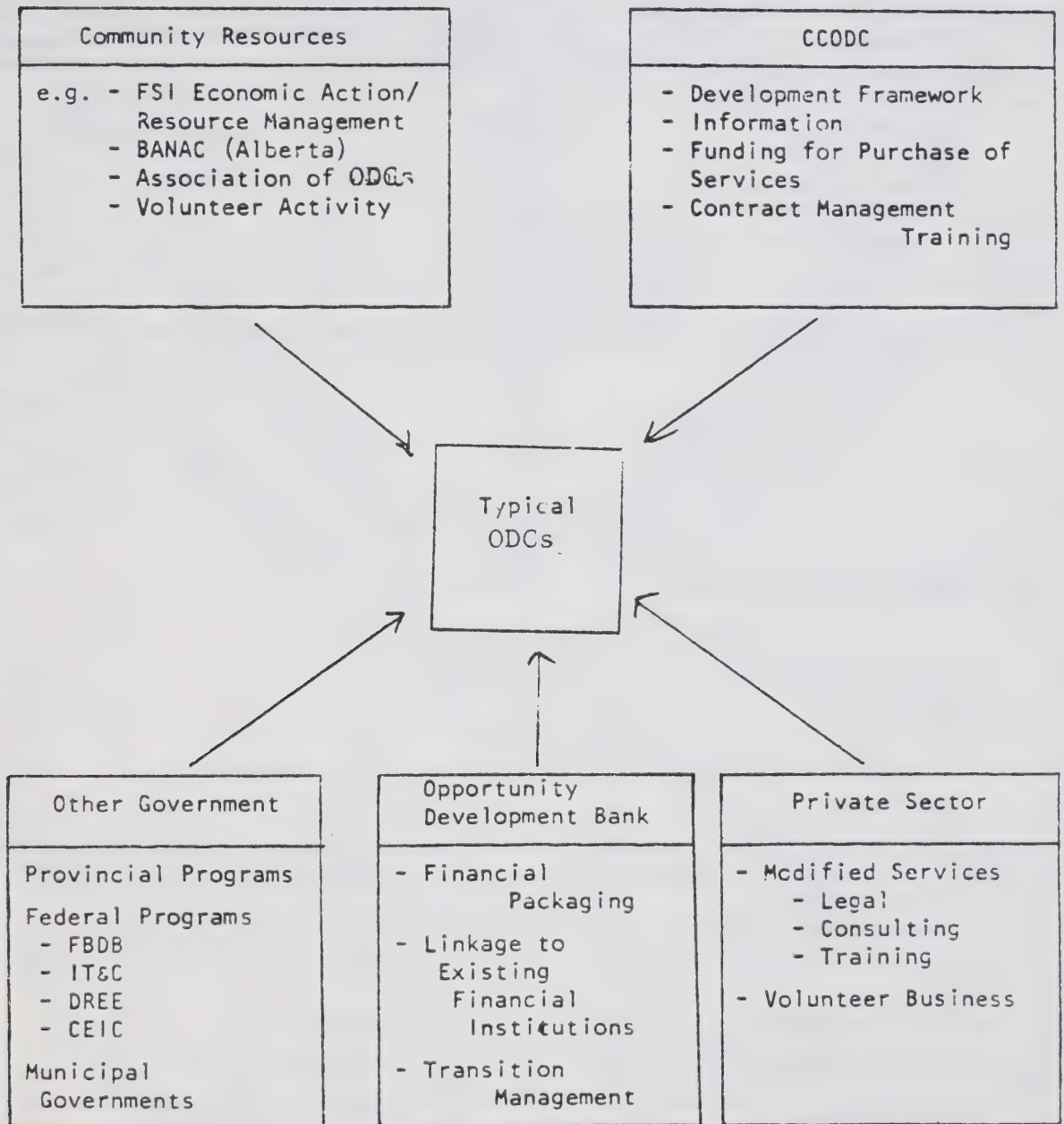


Chart 5

Major Funding Sources for Opportunity Development Corporations

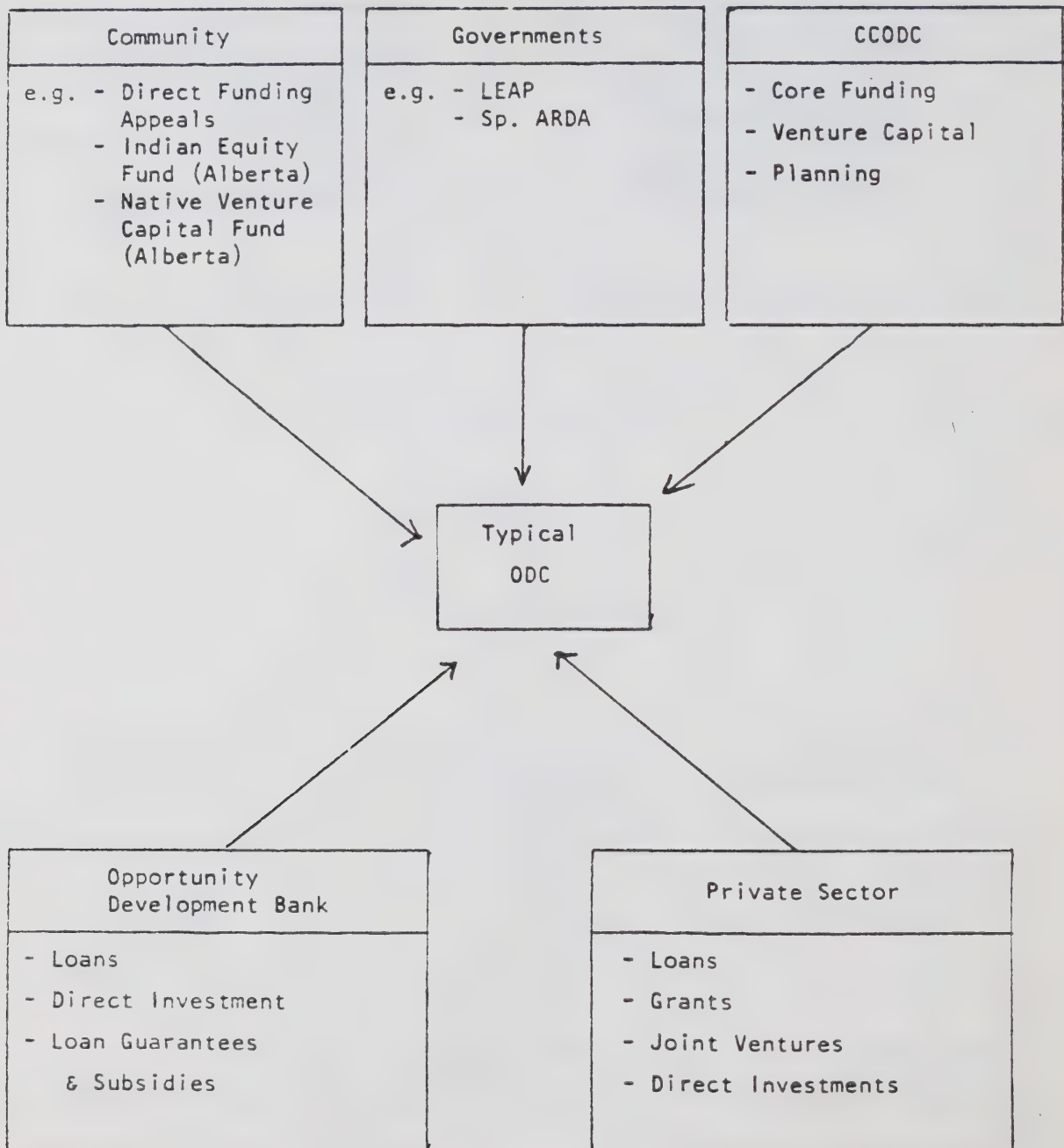
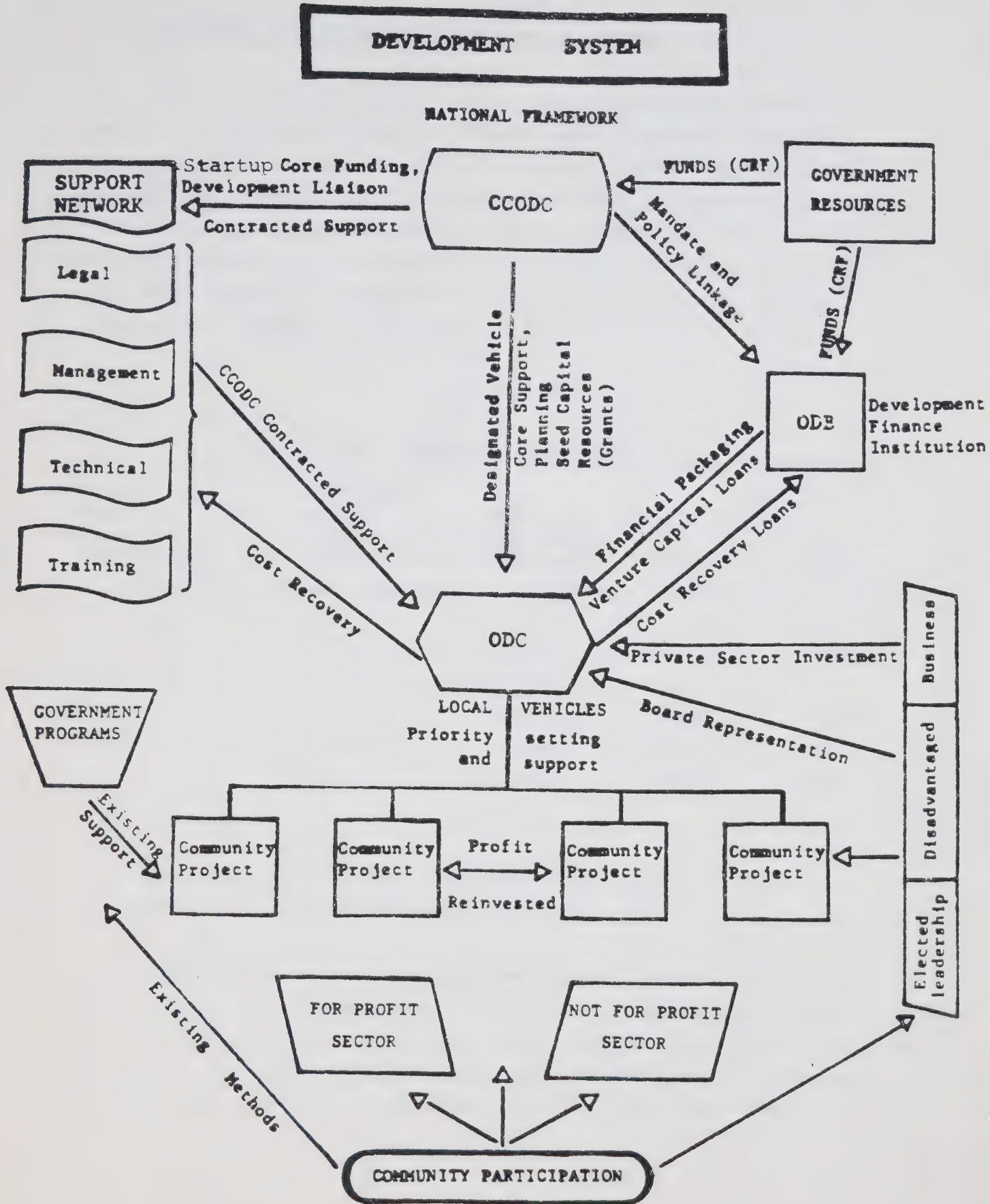


CHART 6







## VI. Analysis of Potential Employment Impact

Precise overall conclusions about the impact of the community development system thrust are difficult. However, some insight is possible. For example, one of the central concepts of the approach is the leveraging of private sector funds. Because this idea holds the possibility of a multiplier effect, the scale of impact is rendered difficult to judge. Table 1 illustrates the range of impact with a variety of leverage assumptions.

TABLE 1

C.E.D. THRUST - 1981 -1991				
Total Federal Expenditure (millions)	Leverage factor (private \$ public \$)	Total Involvement (millions)	Jobs Created	
			a. (000)	b. (000)
380	1.0	760	50.6	25.3
380	2.0	1,140	76	38
380	4.0	1,900	126.6	63.3
380	6.0	2,660	177.3	88.6
380	10.0	4,180	278.6	139.3

a. Assumption of \$15,000 investment per job.

b. Assumption of \$30,000 investment per job.

The problem of estimating the capital/labour ratio in the projects undertaken also produces a wider range. If the most optimistic scenario became reality, then the \$380 million federal investment in venture capital would stimulate an additional \$4.1 billion dollars in private investment.

This would result in 278,666 jobs over ten years at a capital investment of \$15,000 per job or 139,333 jobs at \$30,000 per job.

At the other extreme, if the leverage of federal funds in the private market were minimal, the impact might only be in the range of 25,000 to 50,000 jobs. In either case, the job creation potential is significant.

There is also a more qualitative and important aspect of the system. Individual impacts and program implications are discussed in the following section. However, the overall direction of creating self-sufficient entities at the community level is clear. To the greatest extent practicable federal programs should be directed towards that objective.

The positive impact of a movement from direct job creation of a short-term variety to community-based economic development is considerable. Analysis recently undertaken for CEIC indicates that there is a wide dichotomy between the overall value to the economy of permanent jobs versus temporary jobs. Permanent jobs are estimated to add 10 per cent to the wage bill while creation of temporary jobs results in a net economic loss perhaps as large as 40 per cent of the wage bill.

The estimated range for capital investment per job is \$15,000 to \$30,000. However, with a moderate leverage factor of 4.0, the public sector share drops to a range of \$3,000 to \$6,000 per job. To the extent that Opportunity Development Corporations are successful at creating long-term jobs, the cost per job would compare very favourably to per job costs in other federal programs such as \$7,375 (LIP) or \$9,130 (Canada Works.)

The prospect of self-sufficient enterprises productively employing those previously unemployed offers the possibility of a very high benefit (cost ratio). How substantial the impact is will depend on the source from which employees are drawn. If they are drawn from the ranks of the structurally unemployed and if the jobs they enter are long term, the impact is great. If only a movement from other jobs is evident, then wage levels and duration of unemployment become important comparative measures. Only experience will answer the impact questions conclusively.





## VII. Implications of the Recommended Approach

This section explores the implications of the proposed development system approach in three specific areas:

1. Federal/Provincial
2. Budgetary
3. Other Federal Programs

In each area the quantitative nature of the impact would vary greatly with the scale of the development system thrust and is therefore difficult to assess. However, it is possible to provide some insight into interrelationships and to determine likely implications.

A review of implications is intended to demonstrate that a community-based development system approach has productive consequences for federal/provincial relations. Also, the general scale of budgetary consequences are explored together with connections to several other key federal programs. Overall the approach offers a means of increasing the effectiveness of a range of existing federal programs by creating a focus on local capacity.

### 1. Federal/Provincial

Many provinces have job creation/economic development or other programmes, that fall loosely in the 'community economic development' area. While the community-based development approach advocated in this paper is conceived as a federal initiative with a national framework, there is a

desire to enable provincial participation. It is intended that provinces should be able to assist opportunity development corporations wherever they are willing and able. By sponsoring the local vehicle but not acting as its sole source of support, the development system approach allows great leeway for provincial as well as private initiative. No barriers should exist to complementary provincial actions. Where available, provincial funding sources should be explored.

Existing provincial loan agencies, direct job creation programs and other mechanisms of assistance to community organizations would be valuable sources of assistance to opportunity development corporations. The approach would be provincial participation if the province were willing but only willing provincial participation. The open nature of the process would provide an incentive for provincial participation. As well, the mobilization of communities would likely produce demands from the local level for provincial input.

At present, most direct job creation programming in Canada is 100 per cent federally funded and directed. By contrast, a large portion of economic development programming is under the auspices of cost-shared DREE agreements. The additions to the existing development system are in the grey area between the two programming directions. For this reason the intent is to create national support institutions and local opportunity development vehicles. While the national institutions would not be structured to allow provincial participation, the local development vehicles will be able to accept support in the form of both dollars and technical assistance from provincial and local governments. It is also intended that the local opportunity development vehicles involve local residents and local politicians at the Board

level. The central notions of a public-private partnership and the flexibility of the approach should lead to a solid base of support across the country.

## 2. Budgetary

The central premise of these budgetary proposals is a scenario that views five Opportunity Development Corporations as a realistic first-year target and fifty active corporations as a realistic ten-year goal.

Fifty is not a necessary maximum. A greater number of corporations would be possible with an appropriate commitment of resources. A crucial factor in determining the maximum feasible number of corporations will be the number of existing project organizations that can grow in capacity and ability. If the development system can tap the latent capacity in a host of LEAP and other community projects, then far more than fifty corporations might exist by year ten.

Two sample budgets are presented below. The first is for a start-up or transition period; the second presents a ten-year overview.

The major assumptions of the ten-year budget plan are venture capital requirements of about \$1 million per ODC per annum; some recycling of CCODC and ODB funds and gradual growth of other funding requirements are envisaged. This recycling would involve the repayment of loans by some ODCs to the CCODC. These funds would then be available for further loans or investments.

The overall budget increases from 2.25 million current dollars and 45.0 million capital dollars in year one to 5.5 million current and 75.0 million capital in year ten. In total, the ten-year thrust would require 40.0 million current dollars and 540 million capital dollars.



The transition period budget of \$7.5 million (\$2.5m current and \$5.10 million capital) would allow development of legislation, venture capital financing of half a dozen corporations and the initiation of needed support services. The budget would also provide \$1.0 million for feasibility activities by groups interested in pursuing the ODC concept. Some 40 grants are anticipated in the initial period. As noted below, there are a number of existing programs such as LEDA, LEAP and Special ARDA that also fund feasibility planning activities. The intention would be for the CCODC to fund groups moving specifically towards the creation of an opportunity development corporation.

In the initial period, necessary legal, technical and other support services would be provided by an appropriate combination of staff, consultants and contracted institutions. In later periods, the increased scale of demand for such services, coupled with an increased financial capability at the community level, would allow a transition to greater reliance on third-party delivery.

TABLE 2  
TRANSITION PERIOD BUDGET<sup>(1)</sup>  
(12 to 18-month period)  
millions of dollars

Function	Current	Capital	Total
1. Organization CODC Set Up	1.0	-	1.0
2. Venture Capital Fund	-	5.0	5.0
3. Other Supports	0.5	-	0.5
4. Feasibility Funding	1.0	-	1.0
	<hr/> 2.0	<hr/> 5.0	<hr/> 7.5

TABLE 3

SAMPLE TRANSITION PERIOD BUDGET  
DETAIL (18 months)

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A. Organizational Startup - CODC

Chief Executive Office

Salaries/benefits	\$180,000	
Other	6,000	\$240,000

Analysis Unit

Salaries	200,000	
Other	100,000	300,000

Legal Assistance

(Legislation)	100,000	100,000
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Consultant Assistance

Development Unit

Salaries (6)	200,000	
Other	60,000	260,000

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TOTAL		1,000,000
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B. Venture Capital

5 CDCs @ \$1 million		5,000,000
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C. Other Supports

Information	125,000	
Training	125,000	
Legal	125,000	
Consultant	125,000	500,000

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D. Feasibility Funding

40 grants @ \$25,000 per grant		1,000,000
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TABLE 4

YEAR ONE TO YEAR TEN BUDGETS  
(millions of dollars)

Year	No. of ODCs	Staff admin.	Venture capital	Support services	Feasibility fund	ODB (1)	Current (Annual)	Capital (1)
1	5	1.0	5.0	.5	1.0	.40	2.5	45.0
2	10	1.5	10.0	.5	1.0	.-	3.0	10.0
3	15	1.5	10.0	.5	1.0	.-	3.0	15.0
4	20	1.5	15.0	.5	1.0	.-	3.0	15.0
5	25	2.5	25.0	.75	1.5	.-	4.25	20.0
6	30	2.0	25.0	.75	1.5	.50	4.25	75.0
7	35	2.0	25.0	.75	1.5	.-	4.25	25.0
8	40	2.5	25.0	1.0	2.0	.-	5.5	25.0
9	45	2.5	25.0	1.0	2.0	.-	5.5	25.0
10	50	2.5	25.0	1.0	2.0	.50	5.5	75.0
		19.0	200.0(1)	7.25	14.5	.140	40.75	340.0

(1) Capital funds - initial fund, provision for recycling of firms. On the capital allocations are shown.

### 3. Linkages to Other Federal Programs

The current array of direct job creation programs has been reviewed above in Section II-2 and is further detailed in Appendix C. Overall, the intent is to complement the focus of a number of existing federal efforts by the inclusion of the community-enterprise dimension. The programs of four departments/commissions are of special significance. They are: CEIC, DREE, IT&C and DIAND. It is evident that some programs in each of these departments are developing as potential forerunners to large-scale Opportunity Development Corporations. As well, important linkages can be drawn to financial institutions such as the FBDB. The ability of Opportunity Development Corporations to benefit from existing programs will vary with their level of development. As the following chart indicates, the vast majority of existing programs provide aid only at Levels 1 and 2. As the scale of the ODCs activities increases the CCODC's role would expand until the point of movement towards self-sufficiency was reached.

One of the most exciting benefits of a development system is the potential for creating a systematic process for the evolution of community enterprises. This should reduce the chaos of overlapping program mandates perceived at the community level and allow a more orderly development process. Benefits to both existing communities and existing programs would be significant.



CHART 7

LINKAGES AND LEVELS

Level	Activities	Relevant Programs
1	Single project initiation.	LEAP LEDA Special ARDA RDIA ITC supports
2	Single project management	All from Level 1
3	Approved community plan.  Approved business plan.	FBDB CCODC ODB RDIA
4	Plans and operates 2 or more projects. Implements approved plans.	As in 3.
5		As in 3.
6	Business activities support overall organization.	OBD Private lenders

Canada Employment and Immigration Commission

LEDA - The Local Economic Development Assistance Program, which commenced planning-stage operations in the fall of 1980, is designed to generate long-term employment, in the private sector. The elements of the program, including increased capacity to support capital costs, will likely result in the success of several enterprises. LEDA is currently experimental and, accordingly, has a small budget directed to feasibility work and support of community groups. LEDA will be an important support to groups at Level 1 seeking to move up the development ladder.

If the program develops into a full-blown employment initiative, it could be used to support community development by establishing enterprises at various stages of the development process.

LEAP - The Local Employment Assistance Program has been used by a number of organizations as a tool to assist in financing the initial stages of a business enterprise. In many instances, when funding ceased, the business died. There was no continuing opportunity for support and development. The community-based development system can provide this needed support. It may be useful to view LEAP as a major funding source for Level 1 corporations. There are likely to be a relatively large number of organizations who can demonstrate success at this level and who would be eligible to apply for additional assistance from the Canada Community Opportunity Development Corporation. This would make LEAP part of an overall development system and not an isolated program.

The ODC form may provide a long-term vehicle for a number of existing LEAP projects.

CMITP - The community-based development system will formalize community-based organizations and will create a requirement for increasing levels of management capacity. The system will also create an increase in the ability of educational institutions to deliver the required management training for community corporations and small business. This combination of activities will require community organizations to utilize available training supports. The Canada Manpower Industrial Training Program is a likely source for this purpose.

#### Department of Regional Economic Expansion

Special ARDA - Special ARDA is operated in rural areas and applies to Native people wishing to establish businesses. It provides provides financial assistance and incentives to facilitate this objective. The program has not made organizational capacity building a priority and, as a result, has experienced many difficulties. The community-based development system can be used to supply this missing element. It may be useful for Special ARDA to relate its business financing activities to the development system so that small projects can be funded with a minimal level of organizational capacity expected (Level 1), but larger, more complex projects must have a higher level of organizational capacity (Levels 3 - 6 ).

RDIA - Opportunity Development Corporations would be expected to utilize regional development incentives where eligible. The complexity of the application process and the time lag in disbursements would result in RDIA being of more use at Levels 3 and 4.

Department of Industry, Trade and Commerce

Rather than reviewing the considerable range and diversity of IT&C programs, a simple general principle can be articulated. To the greatest degree possible ODCs and other forms of community enterprise should be expected to use assistance programs. IT&C could designate several officials to examine a more productive interface between community enterprises and that department. Work underway in IT&C by the Small Business Finance Task Force may also provide insight into the most productive interface between that department and community enterprise.

Department of Indian and Northern Affairs

DIAND currently supports a range of municipal-like services which create infrastructure in reserve communities. It is the funding for business development that is required if local capacity is to develop. As the Bella Bella example illustrates the overall support to a development plan and package is not yet available. Municipal service and education aspects of their plan can be funded - it is the economic development plan aspect that the CCODC and ODB could support. Opportunity development corporations on reserves would be expected to make use of existing DIAND funding, although the new vehicle is not intended to provide a mechanism to replace DIAND-Band Council service delivery.



## COMMUNITY BASED DEVELOPMENT

### The Canadian Experience

Canada has had a history of involvement in Community Based Development. In the early 1960's, the Agriculture and Rural Development Act (ARDA) had a section which permitted "Special Rural Development Areas." Several such areas were created in Canada with the co-operation of the provinces concerned. Some initial areas attempted development on a relatively comprehensive basis of "depressed" rural agricultural areas. The "development" intended was primarily agricultural in nature and was focussed on assisting farmers to adjust to changing economic conditions. Farm adjustment, land clearing, and farm consolidation programs were typical of the time. Some of these "designated areas" had committees which participated in program planning and in an advising role in program delivery. Later in the 1960's, the program was expanded in scope and a broader view of rural economic development was taken in which business and industrial development were considered and native people became part of the "target population." The Interlake Special Area in Manitoba and the Lesser Slave Lake Special Area in Alberta became two of the target areas in this program. In the early 1970's, the Department of Regional Economic Expansion (DREE) was created and instituted an industrial incentive program which supplemented the Special Area program of ARDA which was transferred to DREE. A further refinement of the Special Area program became known as the Fund for Rural Economic Development (FRED). The FRED program was very short-lived, and was soon replaced by the General Development Agreement approach to regional development which had very little community involvement and a great deal of planning and negotiating between federal and provincial governments. A program which started at a community and area level with a relatively high degree of participation at the community level evolved into a program directed at large geographic areas or industry sectors. Although at various times, there have been parts of the ARDA/DREE development programs which have focussed on the

development of people, the emphasis has usually been on resource development and physical infra-structure. The emphasis in these programs was on attracting industry to slow-growth areas and on facilitating "economic adjustment. Strengthening the physical infra-structure was seen as a method of creating access to resources and attracting new industry into the area. The concept of strengthening the institutional capacity (capacity building) of the local community was not a high priority. Economic development of slow-growth areas was seen as an external and not an internal process.

One of the strong operating programs which grew out of this experience is the Special ARDA program which provides financial support (grants and loans) to potential native businesses in rural areas. The program is still operating in those provinces which entered into an agreement with the Department of Regional Economic Expansion to cost-share the program. Alberta did not choose to enter this arrangement.

During the middle 1960's, several of the provinces (e.g., Manitoba and Alberta) hired "Community Development Officers." These officers were assigned to problem communities to assist these communities in defining problems, developing solutions and organizing to implement solutions. Under the guidance of these officers, there was some community capacity building. Some innovative activity occurred and community energy was organized toward an objective. Much of this energy and activity had limited results because of two significant reasons. One reason was that there was no development support framework and so governments were unable to respond with appropriate resources as requested by communities. Secondly, the development attitude during these years tended to be one of looking upon development as wresting power from one group and giving it to another through direct confrontation and conflict. These two factors led to pressures on governments, which they were unprepared to deal with and so the "Community Development Officer" approach was allowed to die by simply withdrawing resources.

Another experiment of the late 1960's was the Company of Young Canadians. The C.Y.C. hired volunteers to work as a catalyst in under-developed communities. These volunteers operated on much the same basis as the community development officers with somewhat the same results. Community potentials were identified; often groups were organized in communities to take advantage of some of these potentials; often there was no access to economic development expertise and funding; and these efforts often resulted in political activities of a confrontation nature. This led to frustration by governments, the community and the C.Y.C. volunteers. Some of the people with skills in mobilizing community resources which were learned in this program and in the community development programs of some of the provinces are now spread out across Canada and could form a useful core of expertise as community based development again is perceived as valuable.

The early 1970's brought a time of rising unemployment and unemployment of highly skilled people. The "baby boom" reached its peak and the economy slowed. University graduates had difficulty locating jobs. Solutions were perceived in the form of short-term job creation. If the large numbers of people entering the labour market could be kept out of the regular labour market until the rate of expansion of the regular market could "catch-up," then the unemployment problem could be solved. It was also thought that local communities should be involved in creating some of the solutions. This thinking gave rise to such programs as Opportunities for Youth (O.F.Y.), Local Initiatives Program (LIP), Local Employment Assistance Program (LEAP), Canada Works, and Young Canada Works. The provinces also developed similar direct job creation programs during this period of time. These programs all used the concept of community initiative to identify projects, an approval process that selected fundable projects, and short-term funding that did not commit government agencies to long-term support. Although community initiative has been fostered under these programs, the concept of developing "community capacity" has not. The developmental

framework and the long-term commitments necessary have been missing from the programs. Much valuable, short-term activity has been generated, but almost no long-term, economically independent, organizations have been achieved.

The Community Employment Strategy (C.E.S.) was created out of discussions which occurred during 1973/76 in the Social Security review. The C.E.S. was intended to stimulate the employment of people experiencing "chronic and continuing difficulty in obtaining and keeping satisfactory employment" by co-ordinating all existing federal, provincial and local services and supplementing with additional funding when necessary. The basic assumption was that most of the necessary programs already existed, but were not working together. The solution was to create a community level mechanism which would co-ordinate the available services. The designation of target groups and target communities was done by provincial agreement. Again, the emphasis was on short-term projects which would "graduate" clients to the regular labour market as quickly as possible.

The Local Economic Development Assistance program (LEDA) has been initiated during the last year. This program has a longer-term commitment than many past programs and does include provision for some local initiatives and program co-ordination, but elements of a comprehensive development activity are still missing.

All of these programs have some elements of a comprehensive approach, and it has been necessary to have some of the experience in order to create the depth of understanding of the development process that exists today. Development is not as simple as once assumed. It is not simply creating economically viable units as emphasized in some of the early rural development programs. It is not simply a matter of co-ordinating a wide range of services (whether at a local level as in C.E.S. or an area on provincial planning level as in FRED). It is not



sufficient to have or organize local initiative as C.Y.C. and a number of other programs have demonstrated. Neither is it simply providing appropriate funding (capital or otherwise) to local groups or entrepreneurs as in Special ARDA and some of the direct job creation projects. It requires all of the foregoing, plus the capacity at the community level to manage and sustain the development activity. Local capacity building is a necessary requirement in any development program, and insufficient emphasis has been placed on this aspect in previous development efforts.

Learning of abstract concepts and having some people skilled in facilitating community based development are not the only benefits derived from the last 20 years of Canadian experience. There are also a number of development organizations at the community or regional level which have implemented or are in the process of implementing many of the lessons which have been learned. Some examples are:

- 1) Burns Lake Native Development Corporation and Burns Lake Community Development Association - In 1974, the province of British Columbia was intending to let a major timber berth in the Burns Lake area and requested proposals. Several major wood product companies formed a consortium and submitted a proposal. The native people of the Burns Lake area also submitted a proposal. The province was not prepared to fully accept either proposal and facilitated the two groups in getting together. The result was that the Burns Lake Native Development Corporation was formed, with two purposes. The first purpose was to hold shares in a joint venture with the private sector firms on the consortium that would develop the timber berth. The second function was to provide development financing and other assistance to native entrepreneurs wishing to contract with the consortium for various aspects and spin-offs of the forestry operation. The Burns Lake Community Development Association was formed to assist native people to become and remain employed directly with the forestry consortium. Services provided by the Association

include a number of services which are family related and not simply employment related. Some services are also provided to non-natives who are in similar circumstances.

- 2) Slave Lake Developments Limited - Slave Lake Developments was incorporated as a community development company in 1969, following designation of the Lesser Slave Lake area as a Special Rural Development Area by agreement of the province of Alberta and the federal government under the ARDA legislation. The motivation for this incorporation came from local residents who wanted to participate in the economic development of their region through ownership as well as employment. Slave Lake Developments (S.L.D.) was later converted to a public company to permit broader participation and an associate private company (Slave Lake Developments Association) was also established as a vehicle through which financial and management help could be made available from several large private sector companies (e.g., Rainbow Pipeline Company and Imperial Oil Limited) during the formative years of S.L.D.

Project selection was based upon two major criteria: (1) The desire to meet the social and economic needs of the region through local initiative; and, (2) the necessity of earning a fair return on the capital invested. The first project selected was a rental housing project and was a joint venture between S.L.D. and S.L.D.A. Within 3 years S.L.D. was able to buy out its joint venture partner. The second project was an office building completed in 1972. Projects under way now include a 24,000 square foot commercial building and a 35 suite apartment building.

- 3) New Dawn Enterprises Ltd. - New Dawn was formed in 1976, in the Cape Breton area of Nova Scotia. It grew out of an organization which was started in 1973, called the Cape Breton Association for Co-Op Development, when it was decided that the co-operative form

of organization did not meet the needs for the wide ranging types of activities that were being envisioned.

New Dawn is now a non-profit corporation and has three main divisions: business, social development and cultural. In May 1978, New Dawn's property and assets totalled slightly over one million dollars. The full-time core staff (5 people) was supported by Health & Welfare Canada for a test period from 1976 to 1979. A 1978 evaluation report concludes:

"At this point, we are convinced that our formula for community economic development will work in Canada if:

- 1) Venture capital funds are made available.
- 2) A five-year development period is allowed with suitable criteria for interim progress.
- 3) Government agencies recognize that there is a legitimate sense in which non-profit corporations must 'make money.'

Subsequent evaluations have re-emphasized these points and have also identified an increased need for block funding and funding for planning staff of various types.

- 4) Guysborough Community Employment Strategy Association - This organization was formed in Guysborough County of Nova Scotia in 1975, with the support of the Community Employment Strategy of CEIC which has subsequently been discontinued. The major objective of the association is: "To encourage the social and economic development of the Guysborough area." By the time the CES program was discontinued on March 31, 1979 the Association had over 30 projects in operation, yielding 138 permanent jobs and 656 temporary jobs. The Association has continued to generate, and in 1980, another 17 projects with an expected yield of 111 permanent jobs in various stages of development. A report prepared in 1980 by Michael J. Keyes makes the following recommendations for similar activities across Canada:

- 1) Community economic development be extended to the declining rural areas.
  - 2) Community development organizations should be elected bodies.
  - 3) Federal/provincial/municipal/community partnerships be developed to enhance co-ordination and co-operation.
  - 4) Community based development organizations across Canada form a "lobby" group.
  - 5) Financial and technical support be provided by governments.
  - 6) A lead department be designated at both federal and provincial levels.
  - 7) The Public Service of Canada should train senior managers in how to work with communities.
  - 8) Pass the "Freedom of Information Act."
  - 9) Community building as an instrument of well-being should be written into the Constitution along with health and welfare.
- 5) Headstart Employment Corporation - The Headstart Employment Corporation was incorporated as a non-profit corporation in 1978. It is not a community based organization in the usual sense in that one of the major initiators and still a primary source of support is the Saskatchewan Power Corporation. Headstart is typical in the sense that it uses profits generated from a business activity to support a social objective.
- In the case of Headstart, the business activity is primarily contracting with Sask Power to construct or maintain electrical power transmission lines. The profits from this summer and fall activity are used to pay the salaries of employees (mostly native people) while they attend academic upgrading activities, so that they can qualify for entry into a number of related occupations. Counselling services are also provided out of profits, and the



Canada Manpower Industrial Training Program pays for some of the actual training costs. Technical expertise, equipment, and operating capital are advanced by Sask Power and it is unlikely that a similar organization could operate without a major attachment to a large corporation or group of companies.

- 6) Caisse d'Entraide Economique - A credit union type organization with the purpose of accumulating a pool of capital to be used specifically for re-investment in local profit-making businesses. The organization started in Alma, Quebec in 1960, and now has assets of \$1.5 billion with 77 individual cases throughout the province of Quebec. Funds are acquired primarily by selling capital shares in five-year investment plans. About 85% of CEE's assets are represented by loans made within the local region and designed to foster local business and economic growth.
- 7) Boni Co-Op - At St. Boniface, Manitoba direct charge food co-operative with 600 members. The Co-Op began in 1977 and has as its chief objective the reduction of food and drygoods costs for its members. It has achieved a 15% reduction in these costs to date, and is continuing expansion.

This legacy of successful community based development organizations of which the foregoing are some examples, is not the only result of the Canadian experience in community based developments. There are also a strong set of expectations that community based development can be successful, and these expectations continue to stimulate communities to create new proposals and organizations. The following are two examples:

- 1) Nimpkish Integrated Development Approach - This organization operates as a committee under the direction of the Nimpkish Indian Band Council at Alert Bay in British Columbia. A development plan

was prepared in 1975, and a number of the items in the plan (including economic, social and cultural elements) have been implemented to date. The approach is still being implemented, but has not proceeded as rapidly as anticipated due to:

- 1) A lack of managers and an appropriate management development program.
- 2) A lack of funding, especially venture capital.
- 3) A lack of technical expertise.

There are also questions being raised at the present time as to whether the implementation vehicle (a committee under the Band Council) is appropriate.

- 2) Heiltsuk Tribal Council - At Bella Bella, B.C. has recently (1980) prepared a development plan which is similar to the Nimpkish plan. It is likely that the same implementation problems will be encountered.

Although Canada has had relatively extensive experience with various aspects of community based development, the ability of the various levels of government to support such development has not appeared to improve over the years. This lack of supporting structure has led to a number of regional initiatives which are intended to fill some of these gaps. Several examples of such support organizations are:

- 1) The Alberta Indian Equity Foundation - The Fund was established in 1976/77 to provide investment capital in support of small Indian owned businesses which wished to take advantage of expanding business opportunities in Alberta. The fund is actively supported by a number of the major resource development corporations. The fund was proposed and initiated by the Status Indians of Alberta.
- 2) The Indian Oil Sands Development Corporation - This organization was formed in 1976/77 to provide management, planning, training

and advisory support to Indian businesses. It now has the active support of the private sector in Alberta.

- 3) Federation of Saskatchewan Indians Economic Action/Resource Management Program - This program was initiated under the direction of the Federation of Saskatchewan Indians in 1979. There is a staff which does basic research on economic opportunities available to status Indian people and assists bands or groups of bands to take advantage of these opportunities. A major business which has been generated by this activity is Sinco Developments Limited, which has a trucking division (with a contract with Cluff Lake Mining) and a building supplies division.

- 4) BANAC Ltd. & the Native Venture Capital Corporation - The Metis Association of Alberta has recently prepared a proposal for a development corporation to be called BANAC Ltd. (Business Assistance for Native Albertans Corporation Ltd.). The purpose of the corporation is to identify business opportunities and assist native people in taking advantage of these business opportunities. The proposal is being actively supported by Esso Resources.

The Native Venture Capital Corporation is proposed to provide appropriate venture capital to new or expanding native businesses in Alberta. It would enter into a direct investment in a native business with the option for the native partner to buy out the Venture Capital Corporation when an appropriate level of ability is reached. This corporation has the active support of several resource companies and the Alberta government.

- 5) Association of Metis & Non-Status Indians of Saskatchewan Task Team on Economic Development - The AMNSIS Task Team on Economic Development was organized in the late summer of 1980. It has a steering committee composed of native people and representatives from the federal government and the province of Saskatchewan.

There is a small staff which is preparing an economic strategy for Metis and Non-Status Indian people in Saskatchewan. One of the alternatives being explored is the Community Development Corporation approach, and a draft proposal has been prepared which proposes a province-wide Native Development Foundation which would provide funding and support services for several sectoral and community corporations.

6) Northwest Territories Metis Development Corporation Ltd. - The NWT Metis Development Corporation was incorporated in 1977, under the Canada Business Corporations Act. The Corporation has three major operating objectives:

- 1) To get the maximum possible social and economic benefits from proposed large resource development projects.
- 2) To promote and provide community based income earning activities through small business activities.
- 3) To develop the capability to meet projected needs for action resulting from rights and claims settlements.

The Corporation is now emphasizing real estate development, information, economic development, and aboriginal rights.

In summary, Canada has had relatively extensive experience over the past 20 years which has supported and stimulated various experiments in a number of aspects of community based development. We have learned that development is not a simple process with a single dimension that needs emphasis. It requires both external supports and internal development and initiatives. At the present time, we have a legacy from our experience of:

- 1) Learning regarding the principles of development.
- 2) Trained people who can facilitate development.
- 3) A number of examples of successful community based development organizations.



- 4) Expectations in many communities that lead to a continuing flow of proposals for additional community based development organizations.
- 5) A growing range of organizations on a regional level which are designed to support community based development.

The major item that is lacking is a comprehensive development framework and a consistent method of fostering local capacity. This gap can be filled by the proposed Canada Opportunity Development Corporation.



### The United States Experience

The history of the experience with community based development in the United States is summarized in the following excerpts from a book entitled "Community Control of Economic Development" -

"The main vehicle for community economic development in the United States has been the community development corporation (CDC), an amalgamation of the leadership potential within the low-income neighborhood. CDCs have the responsibility of identifying not only the poverty problems of the community but also the means and resources available for launching an overall comprehensive community development effort. Their critical role has been likened to that of a machine tool, the core of industrial development, the lack of which has universally symbolized a backward, underdeveloped state. "The CDC, then, is a tool that turns out more tools. It turns out the ideas, the businesses, the services, and the organizations for influencing people outside the area in favor of the needs of the area." The machine tool comparison is apt. The CDC must and does concern itself with the basic needs - human, financial, organizational, political, social and economic - of all sectors of the community. By being a multipurpose community corporation, the CDC can not only plan development but also implement programs. If it does not have the means or the personnel to implement a policy, it can seek the skills of other organizations.

Although CDCs are not the only possible vehicles for implementing community economic development (in rural areas, for instance, co-operatives are common), they have predominated in the United States.

. . .

The community economic development movement as just defined was born during the turbulent 1960s. The rioting in the ghettos had drawn attention to the poverty areas of the United States,

particularly those that were black and urban. For the most part the government's response was to seek the reduction of tension by trying to ameliorate the physical environment and physiological conditions of the ghetto residents. The entire spectrum of public services, such as education for children and young adults (Head Start, job counselling, and manpower training programs) reflected concern for removing the psychological and sociological deficiencies of the ghettos and their residents. Little thought was given to developing ways of releasing already existing psychic energies.

While most observers saw riot participation as evidence of social malignancy, some saw it as a sign that large numbers of blacks and other poor Americans had attained a new level of development, a level that compelled them to do for themselves whatever was to be done. In isolated parts of the country groups of these self-actualizing, growth-oriented leaders were seeking ways of making the environment into a set of opportunities for its inhabitants rather than a set of problems. In Cleveland, DeForest Brown led the effort to establish the Hough Area Development Corporation. Franklin Florence in Rochester, New York, brought FIGHT into being. In Philadelphia, the Reverend Leon Sullivan launched Zion Investment Associates. In each instance, black inner-city residents were seeking ways of beginning a comprehensive program of economic development. This program was to consist of them and to be run by them, and the benefits were most definitely to be for them.

A few influential whites also saw the need for wide-scale change. Senator Robert F. Kennedy, after a tour of Bedford-Stuyvesant, a black Brooklyn ghetto, concluded that the war on poverty needed a new approach. He realized that stressing the problems of individuals was not sufficient. Primarily through his efforts and those of New York's other Senator, Jacob Javits, the Special Impact Program amendment, Title I-D of the Economic



Opportunity Act of 1964, became effective in July 1966. This amendment signified a new approach; the poverty problem was now viewed as involving the total community, not just individual residents. For the first time, moreover, community business and economic development received equal emphasis with the service programs directed toward individuals.

The Office of Economic Opportunity (OEO) was the agency designated to implement this multipurpose, comprehensive development strategy. It floundered for several years, however, before actually developing an operating program. In 1967 it gave all of the money available to the Department of Labor, which used it primarily for more manpower programs. The only innovation immediately stemming from the legislation was the Bedford-Stuyvesant project, which was created by Senator Kennedy and his staff. Unlike those that had been started spontaneously in areas like Hough in Cleveland, Ohio, the Bedford-Stuyvesant project consisted first of a carefully selected group of influential business and financial figures in New York City, who were placed on the board of directors of the Development and Service Corporation. This lent enormous status and support to a separate board chosen by a leading black judge, who directed the all-black Bedford-Stuyvesant Restoration Corporation. In 1974 the staffs of the two corporations merged administratively.

In spite of its creation by outsiders, the Bedford-Stuyvesant project was generally hailed by Congress. Interested congressmen began to apply pressure to OEO to develop its entire program along these lines. Within OEO a group of planners sought to do this, but in their opinion neighborhood community control had to be added in order to permit the residents themselves to define their problems and to set the objectives for development. These planners were especially convinced that to achieve the self-determination implicit in the community control concept it was essential to get young black males involved.

Although the OEO staff recommended a strong, no-strings-attached program with 100 percent control by the community residents within designated poverty areas, the OEO director, Donald Rumsfeld, would not approve. Because of Rumsfeld's hesitation about this community control aspect, approval was given for an experimental program only. Early evaluation results in 1969 rated the OEO experiment successful in its efforts to initiate economic development in poverty areas, but similar evaluations of the Department of Labor use of Special Impact Program funds indicated no such potential for change. In the next three years more CDCs were started, and in spite of hostility within OEO and other, largely administrative problems, the CDCs performed reasonably well. In 1972 Congress passed a new amendment to the OEO legislation, Title VII, which authorized and funded Community Economic Development as a specific program, reviving it from the experimental category. It also legitimized the community control concept by specifically requiring that the funds be given to locally controlled community development corporations. This legitimization of the concept, however, did not lead directly to full control by the residents. Even in 1977 control by the residents is not complete. While the overall strategies and objectives of the community development corporations are determined locally, final approval for specific investments must still be obtained from the federal funding agency. In 1974, however, a "venture autonomy system" was introduced that permits CDCs to make the final decisions on specific investment. Under this system the federal funding agency determines which CDCs are ready to finalize investments in local ventures with no federal supervision.

After the demise of OEO in 1975, the Community Services Administration (CSA) was charged with administering the program. Congress did not wish to discontinue or dilute the program by

placing it within another existing agency. The heart of the program remains the community development corporation, the institution that is to plan and implement comprehensive community development programs. The guiding force of these corporations is the locally selected community-based board of directors.

As this brief history shows, the concepts of community economic development and community control have come a long way since 1967. Both now have a firm foundation in legislation and in reality. Nonetheless, both the concepts and their main vehicles of implementation, the CDCs, remain in tender stages of growth. To enable them to have an "appreciable impact" on their communities, as the legislation requires, much still needs to be learned and done."

Kelly, Rita Mae - Community Control of Economic Development, Praeger Publishers, New York, 1977.

Some of the basic principles to be learned from the U.S. experience can be summarized as follows:

- 1) Communities are similar to living organisms. In living organisms individual cells are constantly being created and destroyed. In communities, people with skills and expertise, as well as capital assets, are constantly being created by the community or "imported" into the community while at the same time, within the same community, skills, expertise and capital are deteriorating or being "exported" from the community. If skills, expertise and capital are being created or imported more rapidly than they are deteriorating or being exported, the community is viable and growing. If skills, expertise and capital are deteriorating or being exported more rapidly than they are created or imported, then the community declines and deteriorates.

2) The ebb and flow of community resources takes place in the context of broader economic and social forces. The ability of a community to respond to these outside forces also affects the viability of the community. A community declines as people and institutions lose self-confidence in their abilities and the community's ability to respond to external economic and social forces. A community grows as people and institutions gain self-confidence and confidence in the community. Deteriorated communities often stay that way, even in the face of outside attempts to develop them because often the outside resources are not the "best" resources and also may not be of adequate volume because the community is considered a "high risk" community.

3) The major requirement in rebuilding communities in decline is the development of local capacity in terms of skills, expertise and capital so that the community can again begin to deal with its own problems. As the community begins to deal with its own problems, self-confidence grows and the community begins to regain its viability. Reasons for creating local capacity include the following:

- a) To release the creative energy of local people to resolve their own difficulties. (The further from the decision impact the decision is made, the more difficult and complicated it is to make the decision).
- b) The time period for economic development is too long for an external body to pay attention. People who live in the community and live with the problems and the results of decisions are the only people who can give adequate attention over a sufficient period of time. Public servants, government, and outside investors tend to look for shorter term successes in order to further their careers.



- c) To co-ordinate government programs. The mix and emphasis of program inputs required is different for each community. There will never be sufficient co-ordinating mechanisms or sufficient flexibility within governments to co-ordinate programs to meet the needs of all communities. Communities must co-ordinate the delivery of services which they require.
  - d) To localize and minimize the impact of decision errors. A decision error at the local level affects primarily that one community. A decision error at the national level may affect the entire country.
- 4) Since the community decline process takes a length period of time, the building process also takes a lengthy period (ten years).
- 5) A community needs the following types of local capacity:
- a) Access to the basic resources of capital, talent, credit.
  - b) Local capacity to manage these resources and initiate action in relation to their use. (A bank is a passive instrument and cannot initiate action).
  - c) An integral "risk" and "reward" system to ensure efficient resource use.
  - d) Local capacity to carry out economic and social development activities at the same time within the community.
  - e) A mechanism which will release the energies of local residents and focus these energies on the required community development.

6) Communities, especially deteriorated communities, cannot build this required local capacity by themselves (although the major initiative must come from the communities), so there must be a number of supporting services and activities -

- a) A legal support organization of an advocacy nature to assist community based organizations to anticipate and resolve legal, legislative and organizational problems.
- b) An information and research organization that keeps community based organizations aware of new programs, policies, research and knowledge in the development field. The organization must also continually document the current experience in community based development.
- c) A network organization of an advocacy nature of all community based development organizations in the country.
- d) A technical assistance and training organization to train community leaders in operating community based organizations, train professional employees of such organizations, develop "how-to" manuals for community based organizations in identifying, negotiating with, and controlling the technical and expert assistance they must hire.
- e) Two types of funding support:
  - i) Core funding for community based development organizations, and,
  - ii) Equity funding for community based organizations.

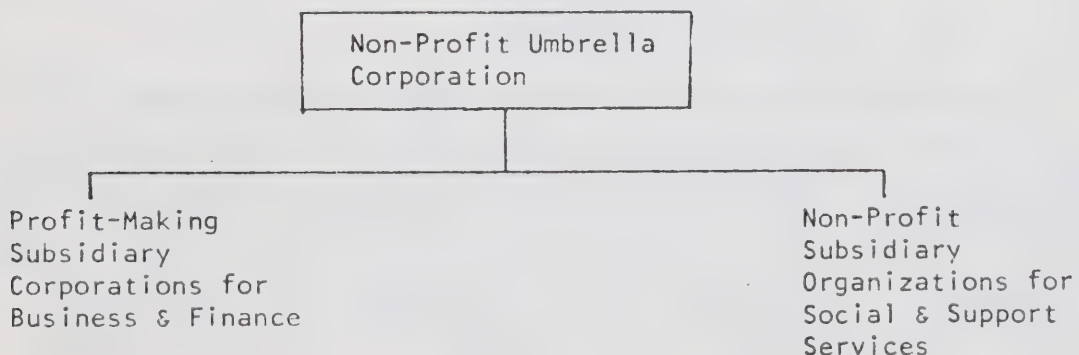
7) Each development organization reviewed was different in the following areas:

- a) The priorities selected.
- b) The specific projects selected.

- c) The method of developing and controlling projects (corporate structure).
- d) The method of organizing the board of directors.
- e) The mix of expertise used.
- f) The geographic size of the target area.

The corporate structures used included a bank holding company and a typical community development corporation. One board of directors was selected primarily on an area delegate basis, in others, organizations and interest groups were represented. Some corporations served an area of a few blocks in a city, while another covered a twelve-county, primarily rural, area.

8) Each community, although there were difficulties as noted, used the same basic developmental vehicle. That vehicle was a non-profit umbrella corporation to establish the major thrust and direction of activities with one set of subsidiary, profit-making corporations dealing with economic development and financing issues, and a second set of non profit subsidiary corporations dealing with social services.



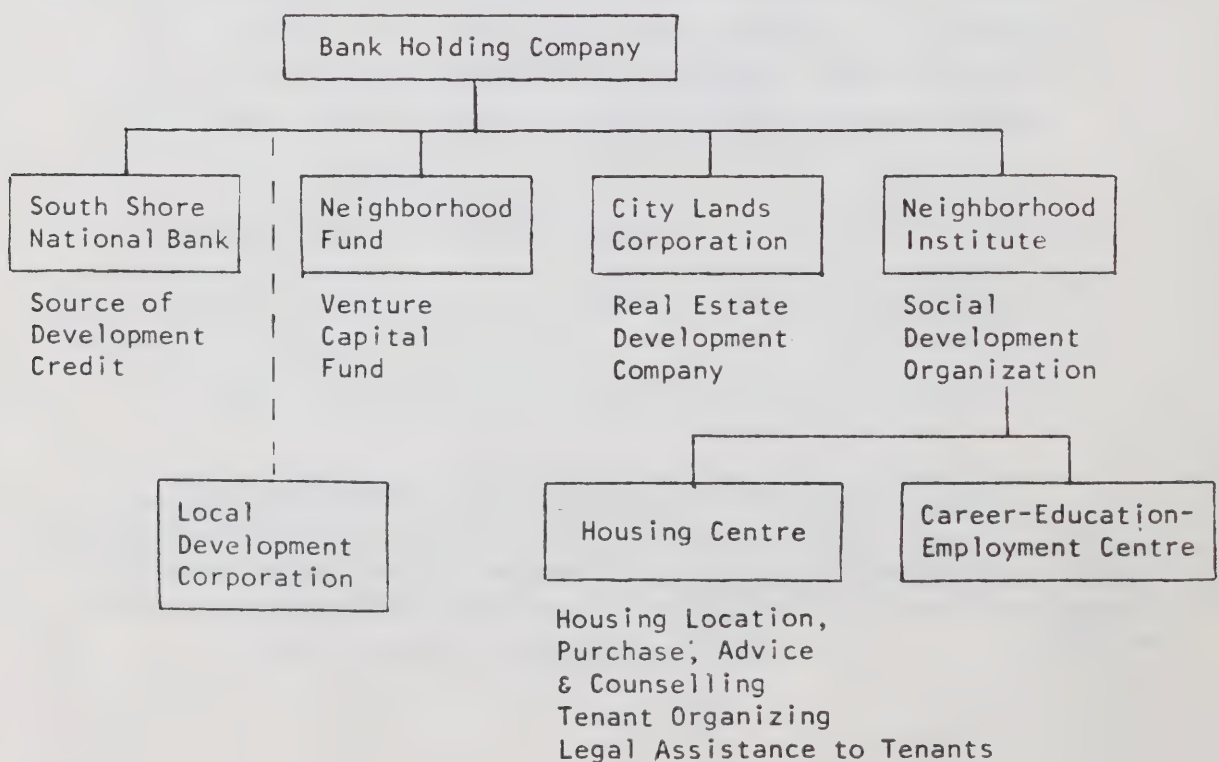
Three examples have been selected to illustrate the major concepts listed in the foregoing. These three examples are the American Indian Development Corporation in Minneapolis, the South Shore Bank in Chicago and the Kentucky Highlands Investment Corporation in London, Kentucky.

1) The American Indian Development Corporation

The American Indian Development Corporation operates in a section of Minneapolis (Franklin Avenue) where the majority of the 22,000 Indian people of the city live. The objectives of this non-profit corporation are to create jobs and to provide goods and services at a profit. The first project of the Corporation is to develop, own and manage a shopping centre complex on Franklin Avenue. The long-term objective is to provide funds for an Indian Development Foundation. The Corporation has 45 members and 22 are on the board of directors, which is 60% Indian.

2) The South Shore Bank - Chicago

This organization operated in a declining black area in Chicago. The area could be characterized by abandoned apartment buildings owned by absentee landlords, declining commercial areas, and a lack of employment within the neighborhood. The organizing mechanism selected by South Shore was a Bank Holding Company with the following structure:





The Local Development Corporation has not yet been created, but when it is it will have the capacity to initiate business. The City Lands Corporation has been active in purchasing a number of abandoned apartment buildings, renovating them, and reselling them as condominium units. The remainder of the entities are self-explanatory from the diagram.

3) Kentucky Highlands Investment Corporation

Kentucky Highlands Investment Corporation covers a geographic area of 12 counties in south eastern Kentucky. Each county organizes a Development Association and each Development Association appoints one member of its Board of Directors to the Board of Directors of the Kentucky Highlands Investment Corporation. It is only an investment corporation, and attempts to be a minority share-holder in any business. It does not manage a business; its function is to attract business to the area by investing in the business. It does not dictate where a business is to locate within its service area; the business itself makes that decision. It does not operate any community or special services, but does occasionally act as a catalyst for the development of such services.

These concepts and mechanisms can be used in a wide variety of Canadian situations. They could be applicable to a single industry town wishing to expand its base, to a community in a region that has a rapidly expanding economic base, to a declining rural community or urban neighborhood, or to a native or other minority community. The example of the application of the two basic concepts of "community growth and decline" and "local capacity" to the native people in Canada will illustrate a potential Canadian application.

The Concept of Community Growth and Decline

Historically external forces changed the economy where native people functioned well (fur trading and transportation) to an economy

where the skills and abilities of native people were minimal (agriculture). Initial attempts to build the local capacity to deal with this basic change was thwarted, and, since that time, native people have not been able to develop the capacity within this group to accumulate the skill, abilities and capital to build a viable community.

Skills and abilities of individuals within the native community have been developed, but these abilities and skills have been of benefit to the larger non-native community because there has been no mechanism in the native community to "capture" the developing resources. The resources were then "exported" faster than they were being created. The cycle of decline was thus assured.

With the decline of the community came the loss of self-confidence of people within the community in their ability to cope with their own problems. The external communities and institutions also ceased to devote major resources in the native community because it was considered a "high risk" community. The dependent status of native people was thus assured.

#### The Concept of "Local Capacity"

The native community has had no major "local capacity," and so all of the money and capital generated by native people flows out of the native community; all of the expertise that is developed by native people flows out of the community because there is no organizational mechanism to capture these resources and most of the services provided to the native community are planned and controlled outside of the native community.

The emphasis of the non-native community has been on the provision of services to individuals and the development of individuals within the native community. This emphasis has facilitated the "export" of skills from the native community. In some cases, this process has helped to ensure that the

native community could not build the local capacity because the resources were prescribed in such a way as to prevent this development and even detract from it.

It is evident that the principles which have been derived from the U.S. experience are complementary to, and supportive of the lessons learned from the Canadian experience.

February 1981









